



**VILLAGE OF EAST CANTON  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF EAST CANTON  
STARK COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Village of East Canton  
Stark County  
130 South Cedar Street  
East Canton, Ohio 44730

To the Village Council:

We have audited the accompanying financial statements of the Village of East Canton, Stark County, (the Village) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

May 1, 2002

VILLAGE OF EAST CANTON  
STARK COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$306,060		\$3			\$306,063
Intergovernmental Receipts	50,499	\$130,467				180,966
Charges for Services		672				672
Fines, Licenses, and Permits	20,810	5,673				26,483
Earnings on Investments	49,737	2,100			\$6,648	58,485
Miscellaneous	6,801	5,900				12,701
<b>Total Cash Receipts</b>	<b>433,907</b>	<b>144,812</b>	<b>3</b>	<b>\$0</b>	<b>6,648</b>	<b>585,370</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	193,061	1,700				194,761
Public Health Services	5,150					5,150
Leisure Time Activities	8,585				7,383	15,968
Community Environment	741					741
Basic Utility Services	4,486					4,486
Transportation	20,479	114,405				134,884
General Government	150,541	1,575				152,116
Capital Outlay		28,380		34,282		62,662
<b>Total Cash Disbursements</b>	<b>383,043</b>	<b>146,060</b>	<b>0</b>	<b>34,282</b>	<b>7,383</b>	<b>570,768</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>50,864</b>	<b>(1,248)</b>	<b>3</b>	<b>(34,282)</b>	<b>(735)</b>	<b>14,602</b>
<b>Other Financing Disbursements:</b>						
Transfers-Out	(3,744)					(3,744)
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>47,120</b>	<b>(1,248)</b>	<b>3</b>	<b>(34,282)</b>	<b>(735)</b>	<b>10,858</b>
Fund Cash Balances, January 1	418,571	86,854	16,410	404,678	120,571	1,047,084
<b>Fund Cash Balances, December 31</b>	<b>\$465,691</b>	<b>\$85,606</b>	<b>\$16,413</b>	<b>\$370,396</b>	<b>\$119,836</b>	<b>\$1,057,942</b>
Reserves for Encumbrances, December 31	\$18,200	\$771	\$0	\$5,000	\$0	\$23,971

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$256,839		\$256,839
<b>Operating Cash Disbursements:</b>			
Personal Services	86,087		86,087
Fringe Benefits	612		612
Contractual Services	127,979		127,979
Supplies and Materials	26,796		26,796
Capital Outlay	11,747		11,747
Total Operating Cash Disbursements	<u>253,221</u>		<u>253,221</u>
Operating Income	<u>3,618</u>	<u>\$0</u>	<u>3,618</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Mayor's Court Fines and Costs		31,715	31,715
Mayor's Court Disbursements		<u>(28,540)</u>	<u>(28,540)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>0</u>	<u>3,175</u>	<u>3,175</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	3,618	3,175	6,793
Transfers-In	<u>3,744</u>		<u>3,744</u>
Net Receipts Over Disbursements	7,362	3,175	10,537
Fund Cash Balances, January 1	<u>111,196</u>	<u>6,190</u>	<u>117,386</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$118,558</b></u>	<u><b>\$9,365</b></u>	<u><b>\$127,923</b></u>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*The notes to the financial statements are an integral part of this statement.*



**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of East Canton, Stark County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including water services, park operations (leisure time activities), and police services. The Village is located within Osnaburg Township which provides fire protections services to the Village.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Fund:

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds (Continued)**

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**3. Debt Service Fund**

This fund was used to accumulate resources for the payment of bond indebtedness. The related debt was satisfied during 2000 and the Village intends to transfer the remaining balance to the General Fund.

**4. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village has the following significant Capital Projects Fund:

*Capital Improvement Fund* - This fund receives monies from the General Fund for the payment of capital improvements for the Village.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village has the following significant Enterprise Fund:

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**6. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following significant fiduciary funds:

*Park Fund* - This expendable trust fund was established from a bequest for the purpose of establishing and maintaining a park for the benefit and use of the residents of the Village.

*Mayor's Court Fund* - This agency fund is used to record the collection of traffic violation fines which are subsequently disbursed to the proper agency with the remainder to the Village's General Fund.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2001 was as follows:

Demand deposits	\$ 617,050
Certificates of deposit	<u>300,000</u>
Total deposits	917,050
STAR Ohio	<u>265,815</u>
Total deposits and investments	<u><u>\$1,185,865</u></u>

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$403,181	\$433,907	\$30,726
Special Revenue	120,850	144,812	23,962
Debt Service	0	3	3
Capital Projects	23,320	0	(23,320)
Enterprise	229,840	256,965	27,125
Fiduciary	46,000	38,363	(7,637)
Total	\$823,191	\$874,050	\$50,859

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$777,677	\$404,987	\$372,690
Special Revenue	207,116	146,831	60,285
Debt Service	16,410	0	16,410
Capital Projects	426,815	39,282	387,533
Enterprise	328,121	253,221	74,900
Fiduciary	49,306	35,923	13,383
Total	\$1,805,445	\$880,244	\$925,201

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**4. PROPERTY TAX (Continued)**

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001. The Village has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Commercial Inland Marine;
- General Liability;
- Public Officials Liability;
- Employers Liability; and
- Employee Benefits Liability

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

During 2001, the Village became a member of the Ohio Municipal League Group Rating Plan (OML GRP). The OML GRP is intended to potentially achieve a lower Worker's Compensation rate for group participants, foster safer working environments and foster cost-effective claims management skills in the area of Worker's Compensation.

**8. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal and state governments. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of East Canton  
Stark County  
130 South Cedar Street  
East Canton, Ohio 44730

To the Village Council:

We have audited the accompanying financial statements of the Village of East Canton, Stark County, (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated May 1, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 1, 2002.

Village of East Canton  
Stark County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

May 1, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF EAST CANTON**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 11, 2002**