



**Auditor of State
Betty Montgomery**

VILLAGE OF EAST CANTON
STARK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002. 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, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2003 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.

Village of East Canton
Stark County
Independent Accountants' Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 18, 2003

**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, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$318,922					\$318,922
Intergovernmental Receipts	70,585	\$61,130		\$10,111		141,826
Charges for Services		520				520
Fines, Licenses, and Permits	31,244	4,367				35,611
Earnings on Investments	44,302	2,535			\$7,599	54,436
Miscellaneous	9,395					9,395
Total Cash Receipts	<u>474,448</u>	<u>68,552</u>	<u>\$0</u>	<u>10,111</u>	<u>7,599</u>	<u>560,710</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	200,698	285				200,983
Public Health Services	4,814					4,814
Leisure Time Activities	7,799				10,576	18,375
Community Environment	1,242					1,242
Basic Utility Services	5,155					5,155
Transportation	19,680	85,374				105,054
General Government	246,289	7,374				253,663
Capital Outlay				322,340		322,340
Total Cash Disbursements	<u>485,677</u>	<u>93,033</u>	<u>0</u>	<u>322,340</u>	<u>10,576</u>	<u>911,626</u>
Total Receipts Over/(Under) Disbursements	<u>(11,229)</u>	<u>(24,481)</u>	<u>0</u>	<u>(312,229)</u>	<u>(2,977)</u>	<u>(350,916)</u>
Other Financing Receipts/(Disbursements):						
Sale of Fixed Assets	17					17
Transfers-In				229,861		229,861
Transfers-Out	(232,192)					(232,192)
Advances-In		5,000				5,000
Advances-Out	(5,000)					(5,000)
Total Other Financing Receipts/(Disbursements)	<u>(237,175)</u>	<u>5,000</u>	<u>0</u>	<u>229,861</u>	<u>0</u>	<u>(2,314)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(248,404)	(19,481)	0	(82,368)	(2,977)	(353,230)
Fund Cash Balances, January 1	465,691	85,606	16,413	370,396	119,836	1,057,942
Fund Cash Balances, December 31	<u>\$217,287</u>	<u>\$66,125</u>	<u>\$16,413</u>	<u>\$288,028</u>	<u>\$116,859</u>	<u>\$704,712</u>
Reserves for Encumbrances, December 31	<u>\$22,671</u>	<u>\$3,331</u>	<u>\$0</u>	<u>\$21,283</u>	<u>\$675</u>	<u>\$47,960</u>

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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$273,700		\$273,700
Operating Cash Disbursements:			
Personal Services	72,866		72,866
Fringe Benefits	694		694
Contractual Services	122,822		122,822
Supplies and Materials	27,801		27,801
Capital Outlay	52,982		52,982
Total Operating Cash Disbursements	<u>277,165</u>		<u>277,165</u>
Operating Income/(Loss)	<u>(3,465)</u>	<u>\$0</u>	<u>(3,465)</u>
Non-Operating Cash Receipts (Disbursements):			
Mayor's Court Fines and Costs		29,268	29,268
Mayor's Court Disbursements		(38,233)	(38,233)
Total Non-Operating Cash Receipts (Disbursements)	<u>0</u>	<u>(8,965)</u>	<u>(8,965)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(3,465)	(8,965)	(12,430)
Transfers-In	<u>2,331</u>		<u>2,331</u>
Net Receipts Over/(Under) Disbursements	(1,134)	(8,965)	(10,099)
Fund Cash Balances, January 1	<u>118,558</u>	<u>9,365</u>	<u>127,923</u>
Fund Cash Balances, December 31	<u>\$117,424</u>	<u>\$400</u>	<u>\$117,824</u>
Reserves for Encumbrances, December 31	<u>\$21,959</u>	<u>\$1,045</u>	<u>\$23,004</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, 2002**

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 protection 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 Fund

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, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (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.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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 the appropriation measure 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 2002 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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, 2002 was as follows:

Demand deposits	\$548,860
STAR Ohio	<u>273,676</u>
Total deposits and investments	<u><u>\$822,536</u></u>

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:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$401,369	\$474,465	\$73,096
Special Revenue	66,100	73,552	7,452
Debt Service	0	0	0
Capital Projects	770,300	239,972	(530,328)
Enterprise	263,117	276,031	12,914
Fiduciary	44,000	36,867	(7,133)
Total	<u><u>\$1,544,886</u></u>	<u><u>\$1,100,887</u></u>	<u><u>(\$443,999)</u></u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$771,415	\$745,540	\$25,875
Special Revenue	126,452	96,364	30,088
Debt Service	16,413	0	16,413
Capital Projects	1,090,697	343,623	747,074
Enterprise	331,560	299,124	32,436
Fiduciary	50,200	50,529	(329)
Total	<u><u>\$2,386,737</u></u>	<u><u>\$1,535,180</u></u>	<u><u>\$851,557</u></u>

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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.

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 Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS 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 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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.

The Village is 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

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. 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.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002, and have issued our report thereon dated April 18, 2003. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-31276-001.

We noted certain other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 18, 2003.

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 April 18, 2003.

Village of East Canton
Stark County
Independent Accountants' Report 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 18, 2003

VILLAGE OF EAST CANTON
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2002-31276-001

Noncompliance Citation

Ohio Rev. Code Section 102.03 (D) states no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code Section 102.03 (E) states no public official or employee shall solicit or accept anything of value that is of such character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Ethics Commission Advisory Opinion Number 93-006 states that Village Officials and employees are "public officials and employees" for purposes of ORC 102.03 and that Division (D) of Section 102.03 would prohibit members of a Village Council from enacting an ordinance granting an in-term increase in compensation.

For fiscal year 2002, it was noted that Council members approved raises on December 15, 2001. These raises took effect on January 1, 2002 and were granted to all Council members. It was further noted that two council members had terms of 01/01/00 – 12/31/03 and two council members had been reelected at the time the increases were approved.

This matter will be referred to the Ohio Ethics Commission.



**Auditor of State
Betty Montgomery**

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
MAY 29, 2003**