



**Auditor of State
Betty Montgomery**

VILLAGE OF EAST SPARTA
STARK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of East Sparta
Stark County
9353 East Main Street
East Sparta, Ohio 44626

To the Village Council:

We have audited the accompanying financial statements of the Village of East Sparta, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 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, 2002 and 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 August 25, 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 Sparta
Stark County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, and 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

August 25, 2003

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$99,066	\$38,147	\$8,518	\$145,731
Intergovernmental	59,306	27,089		86,395
Charges for Services	800	62,369		63,169
Fines, Licenses, and Permits	12,997			12,997
Earnings on Investments	821	93		914
Miscellaneous	1,670			1,670
	<u>174,660</u>	<u>127,698</u>	<u>8,518</u>	<u>310,876</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	37,628			37,628
Public Health Services	5,667	10,000		15,667
Leisure Time Activities		53,247		53,247
Transportation	21,461	46,838		68,298
General Government	70,052			70,052
Debt Service:				
Redemption of Principal	8,186		7,276	15,462
Interest Payments and Other Fiscal Charges	967		872	1,839
Capital Outlay		11,543		11,543
	<u>143,961</u>	<u>121,628</u>	<u>8,148</u>	<u>273,736</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	30,699	6,070	370	37,140
Fund Cash Balances, January 1	53,994	65,065	0	119,059
Fund Cash Balances, December 31	<u>\$84,693</u>	<u>\$71,135</u>	<u>\$370</u>	<u>\$156,199</u>
Reserves for Encumbrances, December 31	<u><u>\$6,852</u></u>	<u><u>\$910</u></u>	<u><u>\$0</u></u>	<u><u>\$7,762</u></u>

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

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$111,557
Miscellaneous	6,555
	<u>118,112</u>
Total Operating Cash Receipts	<u>118,112</u>
Operating Cash Disbursements:	
Personal Services	27,138
Employee Fringe Benefits	5,914
Contractual Services	23,541
Supplies and Materials	59,222
	<u>115,815</u>
Total Operating Cash Disbursements	<u>115,815</u>
Operating Income	<u>2,297</u>
Non-Operating Cash Receipts (Disbursements):	
Redemption of Principal	(11,685)
Interest and Other Fiscal Charges	(3,226)
	<u>(14,911)</u>
Total Non-Operating Cash Receipts and Disbursements	<u>(14,911)</u>
Net Receipts Under Disbursements	<u>(12,614)</u>
Fund Cash Balances, January 1	<u>200,058</u>
Fund Cash Balances, December 31	<u><u>\$187,444</u></u>
Reserve for Encumbrances, December 31	<u><u>\$20,714</u></u>

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

**VILLAGE OF EAST SPARTA
STARK COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$81,023	\$38,177	\$8,147	\$127,347
Intergovernmental	30,341	45,354		75,695
Charges for Services	2,450	57,991		60,441
Fines, Licenses, and Permits	15,414			15,414
Earnings on Investments	1,629	178		1,807
Miscellaneous	2,773	1,048		3,821
	<u>133,630</u>	<u>142,748</u>	<u>8,147</u>	<u>284,525</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	40,542	3,650		44,192
Public Health Services	6,550	10,000		16,550
Leisure Time Activities		53,678		53,678
Transportation	5,692	43,032		48,724
General Government	63,152			63,152
Debt Service:				0
Redemption of Principal			8,000	8,000
Interest Payments and Other Fiscal Charges			147	147
Capital Outlay	25,600	26,071		51,671
	<u>141,536</u>	<u>136,431</u>	<u>8,147</u>	<u>286,114</u>
Total Cash Disbursements				
	<u>141,536</u>	<u>136,431</u>	<u>8,147</u>	<u>286,114</u>
Total Receipts Over/(Under) Disbursements	(7,906)	6,317	0	(1,589)
Other Financing Receipts and (Disbursements):				
Other Debt Proceeds	25,600	0		25,600
	<u>25,600</u>	<u>0</u>	<u>0</u>	<u>25,600</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,694	6,317	0	24,011
Fund Cash Balances, January 1	36,300	58,748	0	95,048
	<u>36,300</u>	<u>58,748</u>	<u>0</u>	<u>95,048</u>
Fund Cash Balances, December 31	<u>\$53,994</u>	<u>\$65,065</u>	<u>\$0</u>	<u>\$119,059</u>
Reserves for Encumbrances, December 31	\$2,595	\$408	\$0	\$3,003
	<u>\$2,595</u>	<u>\$408</u>	<u>\$0</u>	<u>\$3,003</u>

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

**VILLAGE OF EAST SPARTA
STARK COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$175,984
Miscellaneous	1,144
	<u>177,128</u>
Total Operating Cash Receipts	<u>177,128</u>
Operating Cash Disbursements:	
Personal Services	27,358
Employee Fringe Benefits	6,482
Contractual Services	25,180
Supplies and Materials	46,462
	<u>105,482</u>
Total Operating Cash Disbursements	<u>105,482</u>
Operating Income/(Loss)	<u>71,646</u>
Non-Operating Cash Receipts (Disbursements):	
Redemption of Principal	(14,912)
Net Cash Receipts Over Disbursements	<u>56,734</u>
Fund Cash Balances, January 1	<u>143,324</u>
Fund Cash Balances, December 31	<u><u>\$200,058</u></u>
Reserve for Encumbrances, December 31	<u><u>\$14,670</u></u>

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

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of East Sparta, Stark County, Ohio, (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 governmental services, including water utilities and park operations (leisure time activities). The Village contracts with the East Sparta Volunteer Fire Department to provide fire protection services and with the surrounding villages for police services.

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

Deposits are maintained in a checking account and a money market account.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Funds:

Parks and Recreation Fund - This fund receives leisure time activities and concession stand sales and is used to maintain the Village park.

Roads and Bridges Fund - This fund receives local tax monies. These monies are used to pay Village employees for work performed on Village roads and bridges.

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, bonds and note indebtedness. The Village has the following significant debt service fund:

Dump Truck Fund - This fund is used to accumulate resources for the payment of principal and interest on the Village's Dump Truck bank note.

4. Enterprise Fund

This fund was used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods and services will be recovered through user charges.

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

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 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 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand Deposits	\$283,949	\$260,337
Money Market	59,694	58,780
	\$343,643	\$319,117

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,011	\$174,660	\$23,649
Special Revenue	123,535	127,698	4,163
Debt Service	8,147	8,518	371
Enterprise	92,000	118,112	26,112
Total	\$374,693	\$428,988	\$54,295

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$196,178	\$150,813	\$45,365
Special Revenue	180,108	122,538	57,570
Debt Service	8,148	8,148	0
Enterprise	258,082	151,440	106,642
Total	<u>\$642,516</u>	<u>\$432,939</u>	<u>\$209,577</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$116,000	\$159,230	\$43,230
Special Revenue	137,242	142,748	5,506
Debt Service	8,147	8,147	0
Enterprise	150,000	177,128	27,128
Total	<u>\$411,389</u>	<u>\$487,253</u>	<u>\$75,864</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$140,927	\$144,131	(\$3,204)
Special Revenue	188,765	136,839	51,926
Debt Service	8,147	8,147	0
Enterprise	254,203	135,064	119,139
Total	<u>\$592,042</u>	<u>\$424,181</u>	<u>\$167,861</u>

Loan proceeds for the Police Cruiser in the amount of \$25,600 were posted to capital outlay expenditures, and then posted as a reduction of a receipt in the capital outlay expenditures. As a result, the loan proceeds and corresponding expenditure were not originally reported within the financial statements. After posting adjustments for this error identified by the audit, expenditures exceeded appropriations within the General Fund.

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.

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

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. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Note - Dump Truck	\$7,702	5.75%
Ohio Public Works Commission Loan	158,450	0.00%
Ohio Water Development Authority Loan	54,921	5.66%
Bank of Magnolia Police Cruiser Note	<u>16,079</u>	4.50%
Total	<u><u>\$237,152</u></u>	

The Dump Truck Bank Note is being repaid in annual installments over 7 years with 1 year remaining.

The Ohio Public Works Commission (OPWC) Water Improvement project loan relates to water improvements. The OPWC has approved up to \$211,273 in loans to the Village for this project. As of December 31, 2002, the Village has requested and received \$192,063. The loan will be repaid in semi-annual installments with no interest, over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$87,840 in loans to the Village for this project. As of December 31, 2002, the Village has requested and received \$62,603. The loan will be repaid in semi-annual installments at 5.66% interest over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Bank of Magnolia Police Cruiser Note relates to the purchase of a 2002 Ford Crown Victoria police cruiser. The note is being repaid in 36 monthly installments of \$763 beginning in December of 2001.

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Dump Truck Note	Police Cruiser Note	OPWC Loan	OWDA Loan
2003	\$8,147	\$9,156	\$9,603	\$5,308
2004		7,630	9,603	5,308
2005			9,603	5,308
2006			9,603	5,308
2007			9,603	5,308
2008-2012			48,015	26,540
2013-2017			48,015	26,540
2018-2019			14,405	5,308
Total	<u>\$8,147</u>	<u>\$16,786</u>	<u>\$158,450</u>	<u>\$84,928</u>

6. RETIREMENT SYSTEM

Full-time Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The contribution rate is also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- General liability
- Public official's liability
- Employee benefits liability

**VILLAGE OF EAST SPARTA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. JOINTLY GOVERNED ORGANIZATION

The Village participates in the Stark Council of Governments (the "Council"), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and township which consists of 38 members. The Council functions include, but are not limited to, the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab.

The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens on the Village. The Village did not make any contributions during the year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from the Stark Council of Governments, Canton, Ohio.

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**Auditor of State
Betty Montgomery**

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

Village of East Sparta
Stark County
9353 East Main Street
East Sparta, Ohio 44626

To the Village Council:

We have audited the accompanying financial statements of the Village of East Sparta, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 25, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 25, 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 August 25, 2003.

Village of East Sparta
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

August 25, 2003



**Auditor of State
Betty Montgomery**

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VILLAGE OF EAST SPARTA

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
SEPTEMBER 23, 2003**