

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of East Sparta  
9353 East Main Street  
East Sparta, Ohio 44626

We have reviewed the *Independent Accountants' Report* of the Village of East Sparta, Stark County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of East Sparta is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

December 20, 2007

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VILLAGE OF EAST SPARTA  
STARK COUNTY

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# KNOX & KNOX

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Accountants and Consultants

## 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, 2006 and 2005. 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, if any, 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 described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of East Sparta, Stark County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007, 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 grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that reports describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
June 18, 2007



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, 2006

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>CASH RECEIPTS:</b>			
Property Tax and Other Local Taxes	\$121,231	\$55,144	\$176,375
Intergovernmental Receipts	13,466	37,139	50,605
Charges for Services	2,175	58,402	60,577
Fines, Licenses, and Permits	4,947		4,947
Earnings on Investments	823	74	897
Miscellaneous	<u>6,852</u>	<u>158</u>	<u>7,010</u>
Total Cash Receipts	<u>149,494</u>	<u>150,917</u>	<u>300,411</u>
<b>CASH DISBURSEMENTS</b>			
Current:			
Security of Persons and Property	50,247	167	50,414
Public Health Services	5,535	10,000	15,535
Leisure Time Activities		46,203	46,203
Transportation	49,162	102,181	151,343
General Government	78,037		78,037
Debt Service			
Redemption of Principal	2,816		2,816
Interest	1,171		1,171
Capital Outlay	<u>3,617</u>	<u>19,386</u>	<u>23,003</u>
Total Cash Disbursements	<u>190,585</u>	<u>177,937</u>	<u>368,522</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(41,091)</u>	<u>(27,020)</u>	<u>(68,111)</u>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS)</b>			
Sale of Note	47,845		47,845
Transfers-In		2,500	2,500
Transfers-Out	<u>(2,500)</u>		<u>(2,500)</u>
Total Other Financing Receipts (Disbursements)	<u>45,345</u>	<u>2,500</u>	<u>47,845</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	4,254	(24,520)	(20,266)
Cash Fund Balances, January 1	<u>54,264</u>	<u>110,030</u>	<u>164,294</u>
CASH FUND BALANCES, DECEMBER 31	<u><u>\$58,518</u></u>	<u><u>\$85,510</u></u>	<u><u>\$144,028</u></u>
Reserves for Encumbrances	<u><u>\$707</u></u>	<u><u>\$144</u></u>	<u><u>\$851</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, 2006

	Proprietary Fund Type
	Enterprise
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	\$101,706
Total Operating Cash Receipts	101,706
<b>OPERATING CASH DISBURSEMENTS::</b>	
Personal Services	44,150
Employee Fringe Benefits	10,323
Contractual Services	24,541
Supplies and Materials	31,153
Total Operating Cash Disbursements	110,167
Operating Income/(Loss)	(8,461)
<b>NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS)</b>	
Redemption of Principal	(12,198)
Interest and Other Fiscal Charges	(2,713)
Total Non-Operating Cash Receipts/(Disbursements)	(14,911)
Net Receipts Over/(Under) Disbursements	(23,372)
Fund Cash Balances, January 1	129,950
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$106,578</b>
Reserves for Encumbrances	\$1,279

*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, 2005

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>CASH RECEIPTS:</b>			
Property Tax and Other Local Taxes	\$117,377	\$53,101	\$170,478
Intergovernmental Receipts	15,910	128,745	144,655
Charges for Services	1,318	70,713	72,031
Fines, Licenses, and Permits	4,675		4,675
Earnings on Investments	526	57	583
Miscellaneous	<u>7,650</u>		<u>7,650</u>
 Total Cash Receipts	 <u>147,456</u>	 <u>252,616</u>	 <u>400,072</u>
<b>CASH DISBURSEMENTS</b>			
Current:			
Security of Persons and Property	47,170	174	47,344
Public Health Services	4,273	10,000	14,273
Leisure Time Activities		135,427	135,427
Transportation	15,148	67,221	82,369
General Government	95,865		95,865
Capital Outlay	<u>4,600</u>	<u>16,488</u>	<u>21,088</u>
 Total Cash Disbursements	 <u>167,056</u>	 <u>229,310</u>	 <u>396,366</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(19,600)</u>	<u>23,306</u>	<u>3,706</u>
Cash Fund Balances, January 1	<u>73,864</u>	<u>86,724</u>	<u>160,588</u>
<b>CASH FUND BALANCES, DECEMBER 31</b>	<b><u>\$54,264</u></b>	<b><u>\$110,030</u></b>	<b><u>\$164,294</u></b>
Reserves for Encumbrances	<u>\$750</u>	<u>\$297</u>	<u>\$1,047</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, 2005

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	<u>\$103,215</u>
Total Operating Cash Receipts	<u>103,215</u>
<b>OPERATING CASH DISBURSEMENTS::</b>	
Personal Services	44,253
Employee Fringe Benefits	10,252
Contractual Services	22,327
Supplies and Materials	<u>31,533</u>
Total Operating Cash Disbursements	<u>108,365</u>
Operating Income/(Loss)	<u>(5,150)</u>
<b>NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS)</b>	
Redemption of Principal	(12,059)
Interest and Other Fiscal Charges	<u>(2,852)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>(14,911)</u>
Net Receipts Over/(Under) Disbursements	(20,061)
Fund Cash Balances, January 1	<u>150,011</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><b>\$129,950</b></u>
Reserves for Encumbrances	<u><u>\$13,299</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  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of East Sparta, 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 governmental services, including water utilities, and park operations (leisure time activities). The village contracts with East Sparta Volunteer Fire Department to provide fire protection services and with 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 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 had 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  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

3. Enterprise Fund

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 had the following significant Enterprise Fund:

*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 department, function or object level of, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

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 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

VILLAGE OF EAST SPARTA  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2006	2005
Demand deposits	\$190,606	\$234,244
Money Market	60,000	60,000
Total deposits and investments	<u>\$250,606</u>	<u>\$294,244</u>

Deposits: Deposits are (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institutions public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$182,811	\$197,339	\$14,528
Special Revenue	157,622	153,417	(4,205)
Enterprise	102,000	101,706	(294)
Total	<u>\$442,433</u>	<u>\$452,462</u>	<u>\$10,029</u>

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,863	\$193,792	\$43,071
Special Revenue	263,929	178,081	85,848
Enterprise	231,949	126,357	105,592
Total	<u>\$732,741</u>	<u>\$498,230</u>	<u>\$234,511</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,520	\$147,456	(\$5,064)
Special Revenue	240,133	252,616	12,483
Enterprise	118,000	103,215	(14,785)
Total	<u>\$510,653</u>	<u>\$503,287</u>	<u>(\$7,366)</u>

VILLAGE OF EAST SPARTA  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY (continued)

2005 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,081	\$167,806	\$46,275
Special Revenue	323,368	229,607	93,761
Enterprise	281,860	136,575	145,285
Total	\$819,309	\$533,988	\$285,321

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 for 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 owner, 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, 2006 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$120,040	0.00%
Ohio Wager Developments Authority Loan	45,345	5.66%
Bank of Magnolia	45,029	6.00%
Total	\$210,414	

The Ohio Public Works Commission (1999) Water Improvement project loan relates to water improvements. 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.



VILLAGE OF EAST SPARTA  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

5. DEBT (continued)

The Ohio Water Development Authority (1998) loan relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. 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 (2006) loan relates to the installation of storm sewers in two Village streets. The loan will be repaid over 5 years with per annum interest of 6%. The loan is collateralized with General Fund tax receipts.

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$18,170	\$4,716	\$22,886
2008	18,681	4,206	22,887
2009	19,230	3,655	22,885
2010	19,809	3,077	22,886
2011	20,423	2,463	22,886
2012-2016	67,690	6,936	74,626
2017-2019	46,411	1,242	47,653
	<u>\$210,414</u>	<u>\$26,295</u>	<u>\$236,709</u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- General liability;
- Public officials' liability; and
- Employee benefits liability.

VILLAGE OF EAST SPARTA  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

8. JOINT GOVERNED ORGANIZATION

The Village participants 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 townships 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 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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Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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, 2006 and 2005, and have issued our report thereon dated June 18, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we did note other matters that we communicated to the Village's management in a separate letter dated June 18, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio  
June 18, 2007

VILLAGE OF EAST SPARTA  
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-01	Ohio Revised Code § 5705.39, requires appropriations not to exceed estimated resources in each fund.	Yes	Finding is no long valid.



**Mary Taylor, CPA**  
Auditor of State

**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  
JANUARY 3, 2008**