



**VILLAGE OF EAST CANTON  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004-2003**



**Auditor of State  
Betty Montgomery**



VILLAGE OF EAST CANTON  
STARK COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 14, 2005

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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, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, 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 of East Canton, Stark County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 14, 2005, 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 did not opine on the internal control over financial reporting or on compliance, that report 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 *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

September 14, 2005

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, 2004**

	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	\$397,639					\$397,639
Intergovernmental Receipts	63,224	\$190,452		\$267,046		520,722
Charges for Services		1,270				1,270
Fines, Licenses, and Permits	24,973	5,435				30,408
Earnings on Investments	6,832	267			\$1,165	8,264
Miscellaneous	6,251	158		3,159		9,568
<b>Total Cash Receipts</b>	<b>498,919</b>	<b>197,582</b>		<b>270,205</b>	<b>1,165</b>	<b>967,871</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	243,321	1,555				244,876
Public Health Services	5,200					5,200
Leisure Time Activities	5,427	568			7,065	13,060
Community Environment	2,064					2,064
Basic Utility Services	5,627					5,627
General Government	157,725	116,217				273,942
Capital Outlay	38,349	72,758		373,152	13,732	497,991
<b>Total Cash Disbursements</b>	<b>457,713</b>	<b>191,098</b>		<b>373,152</b>	<b>20,797</b>	<b>1,042,760</b>
Total Receipts Over/(Under) Disbursements	41,206	6,484		(102,947)	(19,632)	(74,889)
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-Out	(1,255)					(1,255)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	39,951	6,484		(102,947)	(19,632)	(76,144)
Fund Cash Balances, January 1	133,909	53,556	\$16,413	375,420	110,221	689,519
<b>Fund Cash Balances, December 31</b>	<b>\$173,860</b>	<b>\$60,040</b>	<b>\$16,413</b>	<b>\$272,473</b>	<b>\$90,589</b>	<b>\$613,375</b>
Reserves for Encumbrances, December 31	\$162	\$1,635	\$0	\$0	\$0	\$1,797

*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, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$282,942		\$282,942
<b>Operating Cash Disbursements:</b>			
Personal Services	69,726		69,726
Travel Transportation	215		215
Contractual Services	133,249		133,249
Supplies and Materials	39,850		39,850
Capital Outlay	10,342		10,342
Total Operating Cash Disbursements	<u>253,382</u>		<u>253,382</u>
Operating Income	<u>29,560</u>		<u>29,560</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Mayor's Court Receipts		\$28,613	28,613
Mayor's Court Disbursements		(29,897)	(29,897)
Total Non-Operating Cash Receipts (Disbursements)	<u>0</u>	<u>(1,284)</u>	<u>(1,284)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	29,560	(1,284)	28,276
Transfers-In	<u>1,255</u>		<u>1,255</u>
Net Receipts Over/(Under) Disbursements	30,815	(1,284)	29,531
Fund Cash Balances, January 1	<u>136,142</u>	<u>1,850</u>	<u>137,992</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$166,957</u></b>	<b><u>\$566</u></b>	<b><u>\$167,523</u></b>
Reserve for Encumbrances, December 31	<u>\$35</u>	<u>\$0</u>	<u>\$35</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 GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$322,068				\$322,068
Intergovernmental Receipts	76,915	\$138,146		\$331,262	546,323
Charges for Services	50	665			715
Fines, Licenses, and Permits	23,530	5,667			29,197
Earnings on Investments	7,383	265		\$1,345	8,993
Miscellaneous	2,995				2,995
<b>Total Cash Receipts</b>	<b>432,941</b>	<b>144,743</b>		<b>331,262</b>	<b>910,291</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	223,813	2,780			226,593
Public Health Services	4,968				4,968
Leisure Time Activities		275		7,983	8,258
Community Environment	1,441				1,441
Basic Utility Services	2,970				2,970
Transportation		109,868			109,868
General Government	178,720	1,528			180,248
Capital Outlay	10,426	37,861		409,773	458,060
<b>Total Cash Disbursements</b>	<b>422,338</b>	<b>152,312</b>		<b>409,773</b>	<b>992,406</b>
Total Receipts Over/(Under) Disbursements	10,603	(7,569)		(78,511)	(6,638)
<b>Other Financing Receipts and (Disbursements):</b>					
Other Debt Proceeds				65,387	65,387
Sale of Fixed Assets	7,791				7,791
Transfers-In				100,516	100,516
Advances-In	5,000				5,000
Transfers-Out	(106,772)				(106,772)
Advances-Out		(5,000)			(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(93,981)</b>	<b>(5,000)</b>		<b>165,903</b>	<b>66,922</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(83,378)	(12,569)		87,392	(6,638)
Fund Cash Balances, January 1	217,287	66,125	\$16,413	288,028	116,859
<b>Fund Cash Balances, December 31</b>	<b>\$133,909</b>	<b>\$53,556</b>	<b>\$16,413</b>	<b>\$375,420</b>	<b>\$110,221</b>
Reserves for Encumbrances, December 31	\$19,986	\$1,583	\$0	\$11,779	\$0

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, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$268,258		\$268,258
<b>Operating Cash Disbursements:</b>			
Personal Services	79,583		79,583
Travel Transportation	887		887
Contractual Services	131,589		131,589
Supplies and Materials	30,393		30,393
Capital Outlay	13,343		13,343
Total Operating Cash Disbursements	<u>255,795</u>		<u>255,795</u>
Operating Income	<u>12,463</u>		<u>12,463</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Mayor's Court Receipts		\$28,840	28,840
Mayor's Court Disbursements		(27,390)	(27,390)
Total Non-Operating Cash Receipts (Disbursements)	<u>0</u>	<u>1,450</u>	<u>1,450</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	12,463	1,450	13,913
Transfers-In	<u>6,255</u>		<u>6,255</u>
Net Receipts Over Disbursements	18,718	1,450	20,168
Fund Cash Balances, January 1	<u>117,424</u>	<u>400</u>	<u>117,824</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$136,142</u></b>	<b><u>\$1,850</u></b>	<b><u>\$137,992</u></b>
Reserve for Encumbrances, December 31	<u>\$12,198</u>	<u>\$0</u>	<u>\$12,198</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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of East Canton, Stark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services including water utilities, 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds 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 Fund:

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(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**

These funds account for resources the Village accumulates to pay bond and note debt.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Nassau Waterline Fund - This fund receives proceeds of Ohio Publics Works grants and an Ohio Water Development Authority. The proceeds are being used to repair the Nassau Road waterline.

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 to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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 had 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, 2004 AND 2003  
(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. 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 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

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

	2004	2003
Demand deposits	\$41,917	\$190,640
Certificate of Deposit	145,000	0
Money Market	313,720	360,151
Total deposits	500,637	550,791
STAR Ohio	280,261	276,720
Total investments	280,261	276,720
Total deposits and investments	\$780,898	\$827,511

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$524,959	\$498,919	(\$26,040)
Special Revenue	204,936	197,582	(7,354)
Debt Service	0	0	0
Capital Projects	267,046	270,205	3,159
Enterprise	291,000	284,197	(6,803)
Fiduciary	30,000	29,778	(222)
Total	\$1,317,941	\$1,280,681	(\$37,260)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$623,195	\$459,130	\$164,065
Special Revenue	239,505	192,733	46,772
Debt Service	16,413	0	16,413
Capital Projects	477,157	373,152	104,005
Enterprise	371,500	253,417	118,083
Fiduciary	141,600	50,694	90,906
Total	\$1,869,370	\$1,329,126	\$540,244

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$494,145	\$440,732	(\$53,413)
Special Revenue	139,289	144,743	5,454
Debt Service	0	0	0
Capital Projects	865,612	497,165	(368,447)
Enterprise	260,000	274,513	14,513
Fiduciary	33,000	30,185	(2,815)
Total	\$1,792,046	\$1,387,338	(\$404,708)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$622,064	\$549,096	\$72,968
Special Revenue	198,664	153,895	44,769
Debt Service	16,413	0	16,413
Capital Projects	1,140,956	421,552	719,404
Enterprise	333,680	267,993	65,687
Fiduciary	144,600	35,373	109,227
Total	\$2,456,377	\$1,427,909	\$1,028,468

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 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.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$119,146	4.78%

The Ohio Water Development Authority (OWDA) loan was for the Nassau Waterline project.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan
2005	\$3,359
2006	8,459
2007	8,459
2008	8,459
2009	8,459
2010-2015	50,756
2016-2020	42,297
2021-2025	42,297
2026-2029	29,608
Total	\$202,153

**7. 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). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Commercial Inland Marine;
- General 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 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 Compensations.

**9. CONTINGENT LIABILITIES**

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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 financial statements of the Village of East Canton, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 14, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 14, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's 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*. In a separate letter to the Village's management dated September 14, 2005, we reported other matters related to noncompliance we deemed immaterial.

Village of East Canton  
Stark County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and Village Council. It is not intended for 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

September 14, 2005

VILLAGE OF EAST CANTON  
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-31276-001	Two council members received in-term raises	NA	Based on follow up with the Ohio Ethics Commission there is no further action necessary.





**Auditor of State  
Betty Montgomery**

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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  
NOVEMBER 15, 2005**