

VILLAGE OF EAST SPARTA

STARK COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

Village Council
Village of East Sparta
9353 Main St.
P.O. Box 357
East Sparta, Ohio 44626

We have reviewed the *Independent Accountants' Report* of the Village of East Sparta, Stark County, prepared by Knox & Knox, for the audit period January 1, 2003 through December 31, 2004. 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 20, 2005

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**VILLAGE OF EAST SPARTA
STARK COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

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

To the Members of 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, 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 *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 discussed in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of the State of Ohio 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.

Village of East Sparta
Stark County
Report of Independent Accountants
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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 require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of the State of Ohio 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.

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 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 of the Village of East Sparta, Stark County, as of December 31, 2004 and 2003, 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 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 Government has not presented Management's Discussions and Analysis, which accounting principles generally accepted in the United State 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 October 17, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Knox & Knox

Orrville, Ohio
October 17, 2005

**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, 2004**

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	(Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$117,564	\$52,508		\$ 170,072
Intergovernmental Receipts	34,214	32,078		66,292
Charges for Services	2,600	68,175		70,775
Fines, Licenses, and Permits	7,504			7,504
Earnings on Investments	274	48		322
Miscellaneous	11,413	34		11,447
Total Cash Receipts	173,569	152,843		326,412
Cash Disbursements:				
Current:				
Security of Persons and Property	43,703	142		43,845
Public Health Services	5,865	10,000		15,865
Leisure Time Activities		51,828		51,828
Transportation	16,674	85,766		102,440
General Government	82,712			82,712
Debt Service:				
Redemption of Principal	8,205			8,205
Interest Payments and Other Fiscal Charges	186			186
Capital Outlay	4,916	28,800		33,716
Total Cash Disbursements	162,261	176,536		338,797
Total Receipts Over/(Under) Disbursements	11,308	<23,693>		< 12,385>
Other Financing Receipts/(Disbursements):				
Transfers In	176	9,000		9,176
Transfers Out	< 9,000>		<176>	< 9,176>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,484	<14,693>	< 176>	< 12,385>
Fund Cash Balances, January 1	71,380	101,417	176	172,973
Fund Cash Balances, December 31	\$ 73,864	\$86,724	\$	\$160,588
Reserves for Encumbrances, December 31	\$ 980	\$ 376	\$ 0	\$ 1,356

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, 2004**

	Proprietary
	<u>Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$104,261
Total Operating Cash Receipts	<u>104,261</u>
Operating Cash Disbursements:	
Personal Services	27,080
Employee Fringe Benefits	8,800
Contractual Services	23,945
Supplies and Materials	<u>60,813</u>
Total Operating Cash Disbursements	<u>120,638</u>
Operating Income	<u><16,377></u>
Non-Operating Cash Receipts (Disbursements):	
Redemption of Principal	< 11,928>
Interest and Other Fiscal Charges	< 2,984>
Miscellaneous Receipts	<u>205</u>
Total Non-Operating Cash Receipts and Disbursements	<u>< 14,707></u>
Net Receipts Under Disbursements	< 31,084>
Fund Cash Balances, January 1	<u>181,095</u>
Fund Cash Balances, December 31	<u>\$150,011</u>
Reserve for Encumbrances, December 31	<u>\$ 14,851</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, 2003**

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	(Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$114,637	\$40,582	\$8,147	\$ 163,366
Intergovernmental Receipts	16,107	24,882		40,989
Charges for Services	2,675	56,895		59,570
Fines, Licenses, and Permits	7,523			7,523
Earnings on Investments	457	59		516
Miscellaneous	<u>20,656</u>	<u>18</u>	<u> </u>	<u>20,674</u>
Total Cash Receipts	<u>162,055</u>	<u>122,436</u>	<u>8,147</u>	<u>292,638</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	41,261	16		41,277
Public Health Services	6,830	10,000		16,830
Leisure Time Activities		64,573		64,573
Transportation	15,559	22,753		38,312
General Government	88,101			88,101
Debt Service:				
Redemption of Principal	8,574		7,859	16,433
Interest Payments and Other Fiscal Charges	580		482	1,062
Capital Outlay	<u>4,463</u>	<u>4,812</u>	<u> </u>	<u>9,275</u>
Total Cash Disbursements	<u>165,368</u>	<u>102,154</u>	<u>8,341</u>	<u>275,863</u>
Total Receipts Over/(Under) Disbursements	< 3,313>	20,282	< 194>	16,775
Other Financing Receipts/(Disbursements):				
Transfers In		10,000		10,000
Transfers Out	<u><10,000></u>	<u> </u>	<u> </u>	<u>< 10,000></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<13,313>	30,282	< 194>	16,775
Fund Cash Balances, January 1	<u>84,693</u>	<u>71,135</u>	<u>370</u>	<u>156,198</u>
Fund Cash Balances, December 31	<u>\$ 71,380</u>	<u>\$101,417</u>	<u>\$176</u>	<u>\$172,973</u>
Reserves for Encumbrances, December 31	<u>\$ 3,958</u>	<u>\$ 1,475</u>	<u>\$ 0</u>	<u>\$ 5,433</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, 2003**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$110,324</u>
Total Operating Cash Receipts	<u>110,324</u>
Operating Cash Disbursements:	
Personal Services	29,616
Employee Fringe Benefits	8,922
Contractual Services	22,654
Supplies and Materials	<u>41,325</u>
Total Operating Cash Disbursements	<u>102,517</u>
Operating Income	<u>7,807</u>
Non-Operating Cash Receipts (Disbursements):	
Redemption of Principal	< 12,257>
Interest and Other Fiscal Charges	< 2,564>
Miscellaneous Receipts	<u>665</u>
Net Receipts Over/ (Under) Disbursements	< 6,349>
Fund Cash Balances, January 1	<u>187,444</u>
Fund Cash Balances, December 31	<u>\$181,095</u>
Reserve for Encumbrances, December 31	<u>\$ 14,687</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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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 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, 2004 AND 2003
(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 (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

VILLAGE OF EAST SPARTA
STARK COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

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

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.

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 a 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:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$250,066	\$293,858
Money Market	<u>60,533</u>	<u>60,210</u>
Total deposits and investments	<u>\$310,599</u>	<u>\$354,068</u>

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

3. BUDGETARY ACTIVITY

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

**VILLAGE OF EAST SPARTA
STARK COUNTY**

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

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,392	\$173,745	\$ 36,353
Special Revenue	149,415	161,843	12,428
Enterprise	<u>112,100</u>	<u>104,466</u>	<u><7,634></u>
Total	<u>\$398,907</u>	<u>\$440,054</u>	<u>\$41,147</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$208,197	\$172,241	\$35,956
Special Revenue	247,247	176,912	70,335
Debt Service	176	176	
Enterprise	<u>292,996</u>	<u>150,401</u>	<u>142,595</u>
Total	<u>\$748,616</u>	<u>\$499,730</u>	<u>\$248,886</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 137,392	\$162,055	\$24,663
Special Revenue	141,268	132,436	< 8,832>
Debt Service	8,147	8,147	
Enterprise	<u>112,100</u>	<u>110,989</u>	<u>< 1,111></u>
Total	<u>\$ 398,907</u>	<u>\$413,627</u>	<u>\$14,720</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$208,197	\$ 179,326	\$28,871
Special Revenue	239,083	103,629	135,454
Debt Service	8,341	8,341	
Enterprise	<u>292,996</u>	<u>132,025</u>	<u>160,971</u>
Total	<u>\$748,617</u>	<u>\$423,321</u>	<u>\$325,296</u>

**VILLAGE OF EAST SPARTA
STARK COUNTY**

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

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$139,246	0.00%
Ohio Water Development Authority Loan	<u>50,396</u>	5.66%
Total	<u>\$189,642</u>	

The Ohio Public Works Commission (OPWC) 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.

The Ohio Water Development Authority (OWDA) 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 installment 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.

**VILLAGE OF EAST SPARTA
STARK COUNTY**

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

5. DEBT (Continued)

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

Year ending December 31:	OPWC <u>Loan</u>	OWDA <u>Loan</u>
2005	\$ 9,603	\$ 5,308
2006	9,603	5,308
2007	9,603	5,308
2008	9,603	5,308
2009	9,603	5,308
2010-2014	48,015	26,540
2015-2019	<u>43,216</u>	<u>21,232</u>
 Total	 <u>\$139,246</u>	 <u>\$ 74,312</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 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Village contributions required through December 31, 2004.

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, 2004 AND 2003
(Continued)**

8. JOINT 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.

KNOX & KNOX

Accountants and Consultants

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 Members of 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, 2004 and 2003, and have issued our report thereon dated October 17, 2005. We conducted our audits 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 grant agreements, 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 audits 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 2004-001.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 October 17, 2005.

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 the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Knox & Knox

Orrville, Ohio
October 17, 2005

VILLAGE OF EAST SPARTA
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During fiscal year 2003, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue	\$ 212,403	\$239,083	\$26,680

To avoid overspending, the Village should not appropriate in excess of estimated resources.



**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 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
DECEMBER 30, 2005**