

VILLAGE OF EAST CANTON

STARK COUNTY

Regular Audit

For the Years Ended December 31, 2020 and 2019





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Village Council
Village of East Canton
130 South Cedar Street
East Canton, Ohio 44730

We have reviewed the *Independent Auditor's Report* of the Village of East Canton, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. 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.

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 Canton is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

September 13, 2021

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VILLAGE OF EAST CANTON
STARK COUNTY

For the years ended 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of East Canton, Stark County, Ohio (the Village).

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (Continued)

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

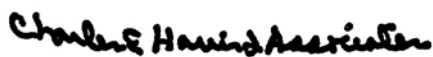
Emphasis of Matters

As discussed in Note 13 to the 2020 financial statements and in Note 12 to the 2019 in the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

As discussed in Note 15 to the 2020 financial statements, the Village made several changes to its reporting model. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 30, 2021

**VILLAGE OF EAST CANTON
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 50,286	\$ 147,540	\$ -	\$ 197,826
Municipal Income Tax	351,909	-	-	351,909
Intergovernmental	45,156	290,917	-	336,073
Charges for Services	3,055	100,948	-	104,003
Fines, Licenses and Permits	23,625	2,408	-	26,033
Earnings on Investments	4,093	501	-	4,594
Miscellaneous	1,766	21,924	-	23,690
<i>Total Cash Receipts</i>	<u>479,890</u>	<u>564,238</u>	<u>-</u>	<u>1,044,128</u>
Cash Disbursements				
Current:				
Security of Persons and Property	26,580	390,849	-	417,429
Public Health Services	5,419	-	-	5,419
Leisure Time Activities	705	5,666	-	6,371
Community Environment	3,441	-	-	3,441
Transportation	-	183,074	-	183,074
General Government	169,119	87,904	-	257,023
Debt Service:				
Principal Retirement	-	2,709	-	2,709
<i>Total Cash Disbursements</i>	<u>205,264</u>	<u>670,202</u>	<u>-</u>	<u>875,466</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	274,626	(105,964)	-	168,662
Other Financing Receipts (Disbursements)				
Transfers In	-	150,000	-	150,000
Transfers Out	(150,000)	-	-	(150,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	124,626	44,036	-	168,662
<i>Fund Cash Balances, January 1</i>	<u>417,061</u>	<u>249,468</u>	<u>63,592</u>	<u>730,121</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 541,687</u>	<u>\$ 293,504</u>	<u>\$ 63,592</u>	<u>\$ 898,783</u>

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

**VILLAGE OF EAST CANTON
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Proprietary Fund Type	
	Enterprise	
Operating Cash Receipts		
Charges for Services	\$	405,972
Miscellaneous		5,072
		411,044
<i>Total Operating Cash Receipts</i>		<i>411,044</i>
Operating Cash Disbursements		
Personal Services		66,459
Employee Fringe Benefits		53,393
Contractual Services		177,846
Supplies and Materials		18,173
		315,871
<i>Total Operating Cash Disbursements</i>		<i>315,871</i>
<i>Operating Income (Loss)</i>		<i>95,173</i>
Non-Operating Receipts (Disbursements)		
Capital Outlay		(17,944)
Principal Retirement		(30,335)
Interest and Other Fiscal Charges		(2,395)
		(50,674)
<i>Total Non-Operating Receipts (Disbursements)</i>		<i>(50,674)</i>
<i>Net Change in Fund Cash Balances</i>		<i>44,499</i>
<i>Fund Cash Balances, January 1</i>		<i>353,943</i>
<i>Fund Cash Balances, December 31</i>	\$	<i>398,442</i>

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

VILLAGE OF EAST CANTON
STARK COUNTY

STATEMENT OF ADDITIONS, DEDUCTIONS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Custodial</u>
Additions	
Fines, Licenses and Permits for Distribution	\$ 22,776
<i>Total Additions</i>	<u>22,776</u>
Deductions	
Distributions from Other Funds	16,055
<i>Total Deductions</i>	<u>16,055</u>
Net Change in Fund Balances	6,721
<i>Fund Cash Balances, January 1</i>	<u>9,558</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 16,279</u>

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

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The Village of East Canton (the Village), Stark County is a body politic and corporate 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 six-member council elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie. The Village provides water utilities, park operations, road maintenance and police services

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The Villages' management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a statement of additions, deductions and changes in fund balances, which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

Police Operating Fund The Police Operating Fund accounts for and reports that portion of the Village of East Canton Police levy money restricted for the sole operation of the Village of East Canton Police Department.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain good or services through user charges. The Village had the following Enterprise funds:

Water Operating Fund The Water Operating Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Water Reserve Fund The Water Reserve Fund is the portion of the Water fund in which the Capital Improvement surcharge is deposited into and used solely for Capital Improvement projects and retiring the debt associated with such projects.

Fiduciary Funds Fiduciary funds include custodial funds. Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Mayor's Court and Indigent Drivers Alcohol Treatment fees.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. Council 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 include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

A summary of 2020 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 - Accountability and Compliance

Contrary to Ohio law, at December 31, 2020, the Street, Construction, Repair and Maintenance and Police Operating Funds had appropriations in excess of estimated resources in the amounts of \$6,293 and \$28,818, respectively.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 is as follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 440,576	\$ 479,890	\$ 39,314
Special Revenue	691,915	714,238	22,323
Enterprise	\$ 379,000	\$ 411,044	\$ 32,044

2020 Budgeted Appropriations vs. Actual Budgetary Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 497,321	\$ 369,803	\$ 127,518
Special Revenue	835,353	694,560	140,793
Enterprise	\$ 626,030	\$ 412,608	\$ 213,422

Note 5 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

	2020
Demand Deposits	\$ 1,313,504

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Deposits (Continued)

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$0 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 - Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

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.

Note 7 - Risk Management

Risk Pool Membership The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 - Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Worker's Compensation Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees that belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code provides statutory contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of the participating member's gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Pension Fund

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). The Ohio Police and Fire Pension Fund (OP&F) is a cost-sharing multiple-employer defined benefit pension plan. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Pension Fund (Continued)

The Ohio Revised Code requires plan members to contribute 12.25 percent of their annual covered salary, while employers are required to contribute 19.5 percent for the full-time police officer's wages. The Village has paid all contributions required through December 31, 2020.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Note 10 - Debt

Outstanding debt as of December 31, 2020 was as follows:

	Principal	Interest Rate
2005 Ohio Public Works Commission #CS08F	\$ 84,688	0.00%
2009 Ohio Public Works Commission #CS07I	24,380	0.00%
2010 Ohio Public Works Commission #CS07M	43,740	0.00%
2012 Ohio Public Works Commission #CT46P	27,032	0.00%
2003 Ohio Water Development Authority Loan	55,694	4.00%
Total	\$ 235,534	

In 2005, the Village obtained a 20 year, zero percent interest Ohio Public Works Commission (OPWC) loan of \$376,391 for a water line replacement on Nassau Street. The Village will repay the loan in semiannual installments of \$9,410.

In 2009, the Village obtained a 20 year, zero percent interest OPWC loan of \$54,179 to improve the storm water drainage system on Liberty Street West. The Village will repay the loan in semiannual installments of \$1,354.

In 2010, the Village obtained a 20 year, zero percent interest OPWC loan of \$87,480 to replace a water main on South Cedar Street. The Village will repay the loan in semiannual installments of \$2,187.

In 2012, the Village obtained a 25 year, zero percent interest OPWC loan of \$38,617 to replace a water main on East Liberty Street. The Village will repay the loan in semiannual installments of \$772.

In 2003, the Village obtained a 25 year, 4.78% interest Ohio Water Development Authority (OWDA) loan of \$117,262 to replace a water main on Nassau Street. Effective January 1, 2016, the Village received an interest rate buy-down from the OWDA at the rate of 4%, which will save the Village an estimated \$5,019 over the remaining life of the loan.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt (Continued)

Water receipts collateralize the 2005, 2010 and 2012 OPWC and 2003 OWDA loans. The Village has agreed to set utility rates sufficient to cover OPWC and OWDA debt service requirements.

The Village annually appropriates an amount sufficient to meet the 2009 OPWC debt obligation from the Street Construction, Maintenance and Repair Fund.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loan
2021	\$ 13,725	\$ 8,014
2022	27,448	8,059
2023	27,448	8,107
2024	27,448	8,156
2025	27,448	8,209
2026-2030	41,785	29,177
2031-2036	11,457	-
2037-2038	3,081	-
Total	<u>\$ 179,840</u>	<u>\$ 69,722</u>

Note 11 – Leases

Outstanding leases as of December 31, 2020 was as follows:

	Principal	Interest Rate
2018 Ford F-250 Truck Lease	\$ 18,015	5.95%
2019 Ford F-350 Truck Lease	39,053	7.25%
Total	<u>\$ 57,068</u>	

In 2018, the Village entered into a Master Equipment Lease-Purchase Agreement for a new 2018 Ford F250 truck for \$53,506 with an interest rate of 5.95% over a five-year period. The Village disbursed \$13,479 to pay lease costs for the year ended December 31, 2020.

In 2019, the Village entered into a Master Equipment Lease-Purchase Agreement for a new 2019 Ford F-350 truck with Dump Bed, Plow & Spreader for \$58,179 with an interest rate of 7.25% over a 48-month period. The Village disbursed \$12,366 to pay lease costs for the year ending December 31, 2020.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Leases (Continued)

Amortization

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

Year Ending December 31:	2018 Ford F-250 Truck Lease	2019 Ford F-350 Truck Lease
2021	\$ 13,741	\$ 16,855
2022	4,997	16,855
2023	-	9,832
Total	\$ 18,738	\$ 43,542

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 14,539	\$ 24,358	\$ 38,897
<i>Total</i>	<i>\$ 14,539</i>	<i>\$ 24,358</i>	<i>\$ 38,897</i>

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund is restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 14 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor 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.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 15 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- Fiduciary Fund Type, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. There was no effect on beginning cash balances in any of the Village's funds.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 42,599	\$ 124,971	\$ -	\$ 167,570
Municipal Income Tax	359,421	-	-	359,421
Intergovernmental	36,117	115,456	-	151,573
Charges for Services	3,928	100,537	-	104,465
Fines, Licenses and Permits	32,539	2,836	-	35,375
Earnings on Investments	14,499	1,660	-	16,159
Miscellaneous	1,838	3,026	-	4,864
<i>Total Cash Receipts</i>	<u>490,941</u>	<u>348,486</u>	<u>-</u>	<u>839,427</u>
Cash Disbursements				
Current:				
Security of Persons and Property	39,884	284,754	-	324,638
Public Health Services	3,441	-	-	3,441
Leisure Time Activities	2,012	7,370	-	9,382
Community Environment	3,225	-	-	3,225
Transportation	-	164,852	-	164,852
General Government	175,870	4,468	-	180,338
Debt Service:				
Principal Retirement	-	2,709	-	2,709
<i>Total Cash Disbursements</i>	<u>224,432</u>	<u>464,153</u>	<u>-</u>	<u>688,585</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	266,509	(115,667)	-	150,842
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	1,268	-	1,268
Transfers In	-	150,000	-	150,000
Transfers Out	(150,000)	-	-	(150,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(150,000)</u>	<u>151,268</u>	<u>-</u>	<u>1,268</u>
<i>Net Change in Fund Cash Balances</i>	116,509	35,601	-	152,110
<i>Fund Cash Balances, January 1</i>	<u>300,552</u>	<u>213,867</u>	<u>63,592</u>	<u>578,011</u>
Fund Cash Balances, December 31				
Restricted	-	249,468	63,592	313,060
Assigned	69,830	-	-	69,830
Unassigned	347,231	-	-	347,231
<i>Fund Cash Balances, December 31</i>	<u>\$ 417,061</u>	<u>\$ 249,468</u>	<u>\$ 63,592</u>	<u>\$ 730,121</u>

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

**VILLAGE OF EAST CANTON
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 396,395	\$ -	\$ 396,395
Fines, Licenses and Permits	-	32,290	32,290
<i>Total Operating Cash Receipts</i>	<u>396,395</u>	<u>32,290</u>	<u>428,685</u>
Operating Cash Disbursements			
Personal Services	75,085	-	75,085
Employee Fringe Benefits	21,952	-	21,952
Contractual Services	186,814	-	186,814
Supplies and Materials	40,196	-	40,196
Other	-	29,315	29,315
<i>Total Operating Cash Disbursements</i>	<u>324,047</u>	<u>29,315</u>	<u>353,362</u>
<i>Operating Income (Loss)</i>	72,348	2,975	75,323
Non-Operating Receipts (Disbursements)			
Capital Outlay	(34,097)	-	(34,097)
Principal Retirement	(30,077)	-	(30,077)
Interest and Other Fiscal Charges	(2,629)	-	(2,629)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(66,803)</u>	<u>-</u>	<u>(66,803)</u>
<i>Net Change in Fund Cash Balances</i>	5,545	2,975	8,520
<i>Fund Cash Balances, January 1</i>	<u>348,398</u>	<u>6,583</u>	<u>354,981</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 353,943</u>	<u>\$ 9,558</u>	<u>\$ 363,501</u>

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

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of East Canton (the Village), Stark County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, park operations, road maintenance, and police services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The Villages' management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Operating Fund The Police Operating Fund accounts for and reports that portion of the Village of East Canton Police levy money restricted for the sole operation of the Village of East Canton Police Department.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Mayor's Court and Indigent Drivers Alcohol Treatment fees.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2019 budgetary activity appears in Note 4.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Accountability and Compliance

Contrary to Ohio law, at December 31, 2019 the Street, Construction, Repair and Maintenance Fund had expenditures in excess of appropriations in the amount of \$28,827.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 393,122	\$ 490,941	\$ 97,819
Special Revenue	540,250	499,754	(40,496)
Enterprise	\$ 352,000	\$ 396,395	\$ 44,395
2019 Budgeted Appropriations vs. Actual Budgetary Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 507,424	\$ 387,517	\$ 119,907
Special Revenue	599,300	503,980	95,320
Enterprise	\$ 558,575	\$ 402,797	\$ 155,778

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Deposits and Investments

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

	<u>2019</u>
Demand Deposits	\$ 1,093,622

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by the due date determined by the County Auditor. If the property owner elects to pay semiannually, the first half is usually due in February of the year but that date is subject to change by the County Auditor. The second half payment is usually due the following August but this date also is subject to change by the County Auditor.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

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, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 - Risk Management

Risk Pool Membership The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

The Village’s full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2019.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
2005 Ohio Public Works Commission #CS08F	\$ 103,508	0.00%
2009 Ohio Public Works Commission #CS07I	27,089	0.00%
2010 Ohio Public Works Commission #CS07M	48,114	0.00%
2012 Ohio Public Works Commission #CT46P	28,577	0.00%
2003 Ohio Water Development Authority Loan	61,290	4.00%
Total	\$ 268,578	

In 2005, the Village obtained a 20 year, zero percent interest Ohio Public Works Commission (OPWC) loan of \$376,391 for a water line replacement on Nassau Street. The Village will repay the loan in semiannual installments of \$9,410.

In 2009, the Village obtained a 20 year, zero percent interest OPWC loan of \$54,179 to improve the storm water drainage system on Liberty Street West. The Village will repay the loan in semiannual installments of \$1,354.

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt (Continued)

In 2010, the Village obtained a 20 year, zero percent interest OPWC loan of \$87,480 to replace a water main on South Cedar Street. The Village will repay the loan in semiannual installments of \$2,187.

In 2012, the Village obtained a 25 year, zero percent interest OPWC loan of \$38,617 to replace a water main on East Liberty Street. The Village will repay the loan in semiannual installments of \$772.

In 2003, the Village obtained a 25 year, 4.78% interest Ohio Water Development Authority (OWDA) loan of \$117,262 to replace a water main on Nassau Street. Effective January 1, 2016, the Village received an interest rate buy-down from the OWDA at the rate of 4%, which will save the Village an estimated \$5,019 over the remaining life of the loan.

Water receipts collateralize the 2005, 2010 and 2012 OPWC and 2003 OWDA loans. The Village has agreed to set utility rates sufficient to cover OPWC and OWDA debt service requirements.

The Village annually appropriates an amount sufficient to meet the 2009 OPWC debt obligation from the Street Construction, Maintenance and Repair Fund.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loan
2020	\$ 13,723	\$ 7,971
2021	27,448	8,014
2022	27,448	8,059
2023	27,448	8,107
2024	27,448	8,156
2025-2029	61,960	37,386
2030-2035	17,185	-
2036-2038	4,628	-
Total	<u>\$ 207,288</u>	<u>\$ 77,693</u>

Village of East Canton, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 11 – Leases

Leases outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
2018 Ford F-250 Truck Lease	\$ 31,494	5.95%
2019 Ford F-350 Truck Lease	51,419	7.25%
Total	\$ 82,913	

In 2018, the Village entered into a Master Equipment Lease-Purchase Agreement for a new 2018 Ford F250 truck for \$53,506 with an interest rate of 5.95% over a five-year period. The Village disbursed \$9,993 to pay lease costs for the year ended December 31, 2019.

In 2019, the Village entered into a Master Equipment Lease-Purchase Agreement for a new 2019 Ford F-350 truck with Dump Bed, Plow & Spreader for \$58,178.61 with an interest rate of 7.25% over a 48-month period. The Village disbursed \$7,027.75 to pay lease costs for the year ending December 31, 2019.

Amortization

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

Year Ending	2018 Ford F-250 Truck Lease	2019 Ford F-350 Truck Lease
December 31:		
2020	\$ 13,741	\$ 15,450
2021	13,741	16,855
2022	4,997	16,855
2023	-	9,832
Total	\$ 32,479	\$ 58,992

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated July 30, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village and several changes to its reporting model.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2020-006 to be a material weakness.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2020-001 to 2020-005.

We also noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 30, 2021.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

July 30, 2021

VILLAGE OF EAST CANTON
STARK COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Finding Number 2020-001

Noncompliance - Remittance Payments

Ohio Rev. Code § 5747.06(A) Provides every employer, including the state and its political subdivision, maintaining an office or transacting business within this state and making payments of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as a result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructive pays the compensation to, or credits the compensation to the benefit of employee.

The law requires employer to withhold taxes from employee's paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. §§ 3102(a) and 3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. § 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over full amount to the government each quarter. See *United States v Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008).

The Village failed to remit payments timely to the Internal Revenue Service (IRS), Ohio Treasurer of State, Ohio Public Employees Retirement System (OPERS), Ohio Police and Fire Protection Fund (OP&F), and Ohio Department of Job and Family Services for income tax, pension withholdings, and State Unemployment Tax Authority from March 2019 through December 2019, second quarter Federal of 2018 and 2017 to December 2019. This resulted in penalties, late fees and interest charged to the Village. We noted the Village did pay all withholdings, penalties, and interest and are current as of December 31, 2020. The total amount of late fees, penalties, and interest charged the Village amounted to \$21,030.

Western Surety Company; the bonding agent for the Fiscal Officer was contacted by Village Officials about the dereliction of duty and the Village has signed an agreement with the bonding company to be reimbursed \$20,933 to cover the amount of late fees, penalties, and interest charged to the Village. As of the date of this report, the money has not yet been received. This matter was referred to Ohio Auditor of State for further consideration.

We recommend the Village ensure all tax payments are remitted in a timely manner to the appropriate taxing authority.

Management Response – See Corrective Action Plan

Finding Number 2020-002

Noncompliance - Mayors Court Remittances

Ohio Rev. Code § 733.40 states that all monies collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

VILLAGE OF EAST CANTON
STARK COUNTY

SCHEDULE OF FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Finding Number 2020-002 (Continued)

Noncompliance - Mayors Court Remittances (Continued)

Ohio Rev. Code § 1907.24(C), 2303.201(C), 2743.70 (A), 2949.091(A)-(B), and 3109.14 state that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

Ohio Rev. Code § 2949.094(A) & (C) when read together, state the court in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. If the person is convicted, pleads guilty, or forfeits bail, the clerk shall transmit thirty-five percent of all additional court costs to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund and the remaining three per cent shall be credited to the justice program services fund, the clerk shall transmit fifteen percent of all additional costs to the county or municipal indigent drivers alcohol treatment fund under the control of that court. The Court shall transmit fifty percent of all additional costs to the state treasury to be credited to the indigent defense support fund. All costs should be transmitted to the appropriate entities by the twenty third day of the following month the costs were collected.

Ohio Rev. Code, Section 2949.094(A), states that the court in the which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. The court shall not waive the payment of the ten dollars unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender. The remittance consists of three dollars and fifty cents to the Drug Law Enforcement Fund, five dollars to the Indigent Defense Fund, and one dollar and fifty cents to the Indigent Driver Alcohol Treatment Fund. (Remitted to the County)

Ohio Rev. Code, Section 2743.70(A)(1), states that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose nine dollars, if the offence is a misdemeanor, as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender.

- The Court failed to transmit to the State of Ohio any money collected by the court for the years under audit. The Court owes the State of Ohio \$9,171 related to 2019 collections, and \$6,467 related to 2020 collections.
- The Court failed to transmit to Stark County, Ohio any money collected by the court for the years under audit. The Court owes the County \$387 related to 2019 collections, and \$254 related to 2020 collections.
- The Village did not transmit Mayor's Court collections to the Village's General Fund's in amount of \$20,273 in 2019 and \$14,355 in 2020.
- The Village did not transmit Mayor's Court collections to the Village's Computer Fund's in amount of \$2,616 in 2019 and \$1,700 in 2020.

The Mayor's Court Agency Fund ending fund balance in the Village's accounting records and financial statements have been adjusted for the amounts owed to the Village's General Fund and Mayor's Court Computer Fund and the Village has adjusted their records.

The Village should implement procedures to remit amounts owed to the appropriate entities.

Management Response – See Corrective Action Plan

VILLAGE OF EAST CANTON
STARK COUNTY

SCHEDULE OF FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Finding Number 2020-003

Noncompliance - Disbursements Plus Encumbrances Exceeded Appropriations

Ohio Rev. Code §5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2019, disbursements plus encumbrances exceeded appropriations in the Street, Construction, Repair and Maintenance Fund by \$28,827.

The Village Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer should request the Village Council to approve increased disbursement levels by increasing appropriations in the minutes and amending estimated resources, if necessary and available.

Management Response:

See Corrective Action Plan

Finding Number 2020-004

Noncompliance - Certifying the Availability of Funds

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

VILLAGE OF EAST CANTON
STARK COUNTY

SCHEDULE OF FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Finding Number 2020-004 (Continued)

Noncompliance - Certifying the Availability of Funds (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by ordinance or resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 33% and 47% of the expenditures tested for 2020 and 2019.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Managements' Response – See Corrective Action Plan.

Finding Number 2020-005

Noncompliance - Appropriations Exceeding Estimated Resources

Ohio Rev. Code § 5705.39 states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission.

During 2020, the Village's appropriations for the Street, Construction, Repair, and Maintenance and Police Operating Funds, exceeded the estimated resources by \$6,293 and \$28,818, respectively.

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of Village resources. We recommend that the Village monitor their budgetary activity on a regular basis and make adjustments as required.

Managements' Response – See Corrective Action Plan.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**SCHEDULE OF FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2020-006

Material Weakness – Financial Reporting

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. The Village should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements. The Fiscal Officer did not always accurately post receipts, disbursements and fund balance classifications to the Village's accounting system. During 2020 and 2019, the following errors were noted:

- Motor Vehicle License Tax was incorrectly posted to the General Fund instead of the Street Construction, Repair, and Maintenance Fund and State Highway Fund in 2019;
- Homestead and Rollback was posted 100% to the General Fund Taxes instead of allocated to the General Fund Intergovernmental and Police Operating Fund Intergovernmental in 2020 and 2019;
- Liquor Permit Fee was posted to taxes instead of Intergovernmental in 2019;
- Municipal Income Tax was posted to Intergovernmental instead of Municipal Income Tax in 2019;
- Mayor's Court Fees was not allocated to the General Fund and Mayors Court Computer Fund in 2020 and 2019 (see finding at 2020-002);
- Expenditures for the Mayors Computer Software were paid from the Mayors Court, Custodial/Agency Fund instead of the Mayors Court Computer Fund in 2020 and 2019;
- Mayor's Court and Indigent Drivers Alcohol Funds activity was reported as Special Revenue instead of the Custodial Fund in 2020;
- Motor Vehicle License Tax was posted the Water Operating Fund instead of the Street Construction, Repair, and Maintenance Fund and State Highway Fund in 2019;
- A Gasoline Tax receipt was posted to the system twice which cause the cash balance to be overstated in 2019;
- Highway Tax Revenue was incorrectly allocated between the Street Construction, Repair, and Maintenance Fund and State Highway Fund in 2019 and 2020;
- Revenues related to the police resource officer was posted to Intergovernmental instead of Charges for Services in 2019;
- Revenue related to Road Maintenance Contracts was posted to intergovernmental instead of Charges for Services in 2019 and 2020;
- Principal and Interest payments were posted to Contractual Services in the Water Operation Fund in 2020 and 2019;
- Fund balance classifications in General Fund and Special Revenue Funds were improperly classified on the financial statements in 2019.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassification entries. The financial statements and Village's records reflect all reclassifications and adjustments.

VILLAGE OF EAST CANTON
STARK COUNTY

SCHEDULE OF FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Finding Number 2020-006 (Continued)

Material Weakness – Financial Reporting (Continued)

Also, during 2020 and 2019, aspects of the notes to the financial statements were corrected from the Hinkle filing to include all necessary note disclosures. Errors/deficiencies were noted in the following footnotes:

- Reporting Entity – Public Entity Risk Pool
- Budgetary Disclosure
- Deposit Disclosure
- Change in Accounting Principles
- Contingent Liabilities
- Summary of Significant Accounting Principles
- Fund Balance
- Debt

We recommend the Fiscal Officer refer to the Ohio Village Officers Handbook and Auditor of State guidance to determine the proper establishment of receipt and disbursement accounts and proper posting. The Fiscal Officer should refer to Governmental Accounting Standards Board Statement Number 54 and Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances. Also, to help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements.

Management Response – See Corrective Action Plan

**VILLAGE OF EAST CANTON
STARK COUNTY**

**CORRECTIVE ACTION PLAN - PREPARED BY MANAGEMENT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2020-001	Fiscal Officer will make payments in the timeframe required by the taxing agencies. The Village has filed a claim on the prior fiscal officers bonding agent for the amount of late fees, penalties and interest related to the untimely employee tax withholding payments.	Immediately	Kurt Geis – Fiscal Officer
2020-002	Fiscal Officer will follow guidance outlined in the Ohio Revised Code related to Mayor Court fines and court costs to ensure payments are made to proper government agencies and by the required time periods.	Immediately	Kurt Geis – Fiscal Officer
2020-003	The Fiscal Officer will work with Village Council to monitor budgetary activity to ensure disbursements plus encumbrances doesn't exceed appropriations.	Immediately	Kurt Geis – Fiscal Officer
2020-004	The Fiscal Officer will monitor review approval for expenditures to ensure a properly certified purchase order is in place before an item has been ordered or purchased.	Immediately	Kurt Geis – Fiscal Officer
2020-005	The Fiscal Officer will work with Village Council to monitor budgetary activity to ensure appropriations doesn't exceed estimated resources.	Immediately	Kurt Geis – Fiscal Officer
2020-006	Fiscal Officer will follow the guidance obtained during the current audit process to complete upcoming annual financial reports filed on the Hinkle System.	Immediately	Kurt Geis - Fiscal Officer

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF EAST CANTON

STARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/23/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov