



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF EAST CANTON
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of East Canton, Stark County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 25, 2000

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**VILLAGE OF EAST CANTON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$353,753					\$353,753
Special Assessments			\$41			41
Intergovernmental	59,419	\$110,255		\$85,658		255,332
Charges for Services					\$660	660
Fines, Licenses, and Permits	1,260	2,006				3,266
Earnings on Investments	32,113	2,707			9,861	44,681
Miscellaneous	4,658					4,658
Total Cash Receipts	451,203	114,968	41	85,658	10,521	662,391
Cash Disbursements:						
Current:						
Security of Persons and Property	181,160	140				181,300
Public Health Services	4,761					4,761
Leisure Time Activities	500				9,724	10,224
Community Environment	816					816
Basic Utility Services	2,576					2,576
Transportation		84,003				84,003
General Government	116,763					116,763
Debt Service:						
Principal Payments	11,922					11,922
Interest Payments	1,217					1,217
Capital Outlay	3,562	36,875		132,330		172,767
Total Cash Disbursements	323,277	121,018	0	132,330	9,724	586,349
Total Cash Receipts Over/(Under) Cash Disbursements	127,926	(6,050)	41	(46,672)	797	76,042
Other Financing Receipts/(Disbursements):						
Sale of Fixed Assets	32,862					32,862
Transfers-In	24,104					24,104
Transfers-Out	(9,841)					(9,841)
Total Other Financing Receipts/(Disbursements)	47,125	0	0	0	0	47,125
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	175,051	(6,050)	41	(46,672)	797	123,167
Fund Cash Balances, January 1	480,986	71,519	16,368	154,269	120,159	843,301
Fund Cash Balances, December 31	\$656,037	\$65,469	\$16,409	\$107,597	\$120,956	\$966,468
Reserves for Encumbrances, December 31	\$1,089	\$37	\$0	\$13,670	\$0	\$14,796

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

**VILLAGE OF EAST CANTON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPE AND AGENCY FUND
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$215,841		\$215,841
Court Fines		\$40,124	40,124
	<u>215,841</u>	<u>40,124</u>	<u>255,965</u>
Operating Cash Disbursements:			
Personal Services	80,923		80,923
Fringe Benefits	1,489		1,489
Contractual Services	78,155		78,155
Supplies and Materials	21,568	12,560	34,128
Capital Outlay	21,264		21,264
	<u>203,399</u>	<u>12,560</u>	<u>215,959</u>
Operating Income	<u>12,442</u>	<u>27,564</u>	<u>40,006</u>
Transfers-In	9,841		9,841
Transfers-Out		(24,104)	(24,104)
Net Receipts Over Disbursements	22,283	3,460	25,743
Fund Cash Balances, January 1	<u>93,878</u>	<u>1,260</u>	<u>95,138</u>
Fund Cash Balances, December 31	<u>\$116,161</u>	<u>\$4,720</u>	<u>\$120,881</u>
Reserves for Encumbrances, December 31	<u>\$420</u>	<u>\$0</u>	<u>\$420</u>

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

**VILLAGE OF EAST CANTON
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$317,146					\$317,146
Special Assessments			\$430			430
Intergovernmental Receipts	58,528	\$106,074				164,602
Fines, Licenses, and Permits	4,736	462				5,198
Earnings on Investments	33,236	2,527			\$11,168	46,931
Miscellaneous	14,823				738	15,561
Total Cash Receipts	428,469	109,063	430	\$0	11,906	549,868
Cash Disbursements:						
Current:						
Security of Persons and Property	168,808					168,808
Public Health Services	4,603					4,603
Leisure Time Activities					6,084	6,084
Community Environment	209					209
Basic Utility Services	1,930					1,930
Transportation		71,712				71,712
General Government	120,878			53,574		174,452
Debt Service:						
Principal Payments	11,356					11,356
Interest Payments	1,783					1,783
Capital Outlay	516	32,512				33,028
Total Cash Disbursements	310,083	104,224	0	53,574	6,084	473,965
Total Cash Receipts Over/(Under) Cash Disbursements	118,386	4,839	430	(53,574)	5,822	75,903
Other Financing Receipts/(Disbursements):						
Transfers-In	28,148			184,400		212,548
Transfers-Out	(196,489)					(196,489)
Total Other Financing Receipts/(Disbursements)	(168,341)	0	0	184,400	0	16,059
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(49,955)	4,839	430	130,826	5,822	91,962
Fund Cash Balances, January 1	530,941	66,680	15,938	23,443	114,337	751,339
Fund Cash Balances, December 31	\$480,986	\$71,519	\$16,368	\$154,269	\$120,159	\$843,301
Reserves for Encumbrances, December 31	\$1,768	\$1,864	\$0	\$6,937	\$0	\$10,569

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

**VILLAGE OF EAST CANTON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPE AND AGENCY FUND
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$193,321		\$193,321
Court Fines		\$38,808	38,808
Miscellaneous	1,638		1,638
	<u>194,959</u>	<u>38,808</u>	<u>233,767</u>
Operating Cash Disbursements:			
Personal Services	79,550		79,550
Fringe Benefits	1,166		1,166
Contractual Services	83,459		83,459
Supplies and Materials	26,687	9,400	36,087
Capital Outlay	24,680		24,680
	<u>215,542</u>	<u>9,400</u>	<u>224,942</u>
Operating Income	<u>(20,583)</u>	<u>29,408</u>	<u>8,825</u>
Transfers-In	12,089		12,089
Transfers-Out		<u>(28,148)</u>	<u>(28,148)</u>
Net Receipts Over/(Under) Disbursements	(8,494)	1,260	(7,234)
Fund Cash Balances, January 1	<u>102,372</u>	<u>0</u>	<u>102,372</u>
Fund Cash Balances, December 31	<u>\$93,878</u>	<u>\$1,260</u>	<u>\$95,138</u>
Reserves for Encumbrances, December 31	<u>\$644</u>	<u>\$1,260</u>	<u>\$1,904</u>

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

**VILLAGE OF EAST CANTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of East Canton, 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 service, park operations (leisure time activities), and 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 and Investments

Certificates of deposit and the U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF EAST CANTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bond indebtedness. The related debt has been satisfied and the Village intends to transfer the remaining balance to the General Fund.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Capital Improvement Fund - This fund receives monies from the General Fund for the payment of capital improvements for the Village.

Water Tower Fund - This fund received monies which were disbursed for the building of a water tower.

Construction Fund - This fund received grant monies from the Ohio Public Water Commission which was used to fund a storm sewer project.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

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

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Park Fund - This fund was established from a bequest for the purpose of establishing and maintaining a park for the benefit and use of the residents of the Village.

Mayor's Court Fund - This fund is used to record the collection of traffic violation fines which are subsequently disbursed to the proper agency with the remainder to the Village's General Fund.

E. Budgetary Process

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

VILLAGE OF EAST CANTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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>1999</u>	<u>1998</u>
Demand deposits	\$ 220,648	\$ 114,449
Certificates of deposit	<u>118,344</u>	<u>108,666</u>
Total deposits	<u>338,992</u>	<u>223,115</u>
Treasury Notes	200,221	193,936
STAR Ohio	<u>548,136</u>	<u>521,388</u>
Total investments	<u>748,357</u>	<u>715,324</u>
Total deposits and investments	<u>\$ 1,087,349</u>	<u>\$ 938,439</u>

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

VILLAGE OF EAST CANTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as the owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 360,182	\$ 508,169	\$ 147,987
Special Revenue	102,200	114,968	12,768
Debt Service	0	41	41
Capital Projects	104,538	85,658	(18,880)
Enterprise	200,000	225,682	25,682
Fiduciary	51,400	50,645	(755)
Total	<u>\$ 818,320</u>	<u>\$ 985,163</u>	<u>\$ 166,843</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 811,168	\$ 334,207	\$ 476,961
Special Revenue	163,757	121,055	42,702
Debt Service	16,368	0	16,368
Capital Projects	258,807	146,000	112,807
Enterprise	280,823	203,819	77,004
Fiduciary	164,600	46,388	118,212
Total	<u>\$ 1,695,523</u>	<u>\$ 851,469</u>	<u>\$ 844,054</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 333,674	\$ 456,617	\$ 122,943
Special Revenue	92,100	109,063	16,963
Debt Service	0	430	430
Capital Projects	282,000	184,400	(97,600)
Enterprise	152,000	207,048	55,048
Fiduciary	48,000	50,714	2,714
Total	<u>\$ 907,774</u>	<u>\$ 1,008,272</u>	<u>\$ 100,498</u>

VILLAGE OF EAST CANTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 823,706	\$ 508,340	\$ 315,366
Special Revenue	151,329	106,088	45,241
Debt Service	0	0	0
Capital Projects	270,123	60,511	209,612
Enterprise	249,857	216,186	33,671
Fiduciary	157,200	44,892	112,308
Total	\$ 1,652,215	\$ 936,017	\$ 716,198

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, 1999 was as follows:

	Principal	Interest Rate
Bank One, Akron, NA	\$ 12,516	5%

Amortization of the above debt, including interest totaling \$13,139 is scheduled to be repaid during the year ending December 31, 2000.

VILLAGE OF EAST CANTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- General Liability
- Public Officials Liability
- Employers Liability
- Employee Benefits Liability

The Village also provides health insurance and dental and vision coverage to full-time employees through Anthem Blue Cross/Blue Shield of Ohio.

8. CONTINGENT LIABILITIES

The Village is defendant in a few lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal and state governments. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of East Canton, Stark County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 25, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated July 25, 2000.

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 July 25, 2000.

This report is intended for the information and use of the audit committee, management, and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 25, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF EAST CANTON

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 12, 2000**