



**VILLAGE OF EAST CANTON  
STARK COUNTY**

**REGULAR AUDIT**

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



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF EAST CANTON  
STARK COUNTY

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# Mary Taylor, CPA

Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

August 30, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of East Canton, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

As described in Note 2, during the year ended December 31, 2005, the Village implemented Auditor of State Bulletin 2005-005, "Required Fund Classifications for Non-GAAP Filers," resulting in the reclassification of the Park and Recreation Expendable Trust Fund to a Special Revenue Fund Type.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 30, 2007



**VILLAGE OF EAST CANTON  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$49,171				\$49,171
Municipal Income Tax	356,041				356,041
Intergovernmental	80,266	\$131,757			212,023
Charges for Services	289	1,300			1,589
Fines, Licenses and Permits	28,783	4,280			33,063
Earnings on Investments	39,426	8,677			48,103
Miscellaneous	3,547				3,547
<b>Total Cash Receipts</b>	<u>557,523</u>	<u>146,014</u>	<u>\$0</u>	<u>\$0</u>	<u>703,537</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	240,964	150			241,114
Public Health Services	3,867				3,867
Leisure Time Activities	6,452	9,126			15,578
Community Environment	2,403				2,403
Basic Utility Service	4,296			4,811	9,107
Transportation	43,395	106,797			150,192
General Government	217,177	2,576			219,753
Capital Outlay				37,537	37,537
<b>Total Cash Disbursements</b>	<u>518,554</u>	<u>118,649</u>	<u>0</u>	<u>42,348</u>	<u>679,551</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>38,969</u>	<u>27,365</u>	<u>0</u>	<u>(42,348)</u>	<u>23,986</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Fixed Assets		32			32
Transfers-In	16,413				16,413
Transfers-Out	(7,432)		(16,413)		(23,845)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>8,981</u>	<u>32</u>	<u>(16,413)</u>	<u>0</u>	<u>(7,400)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	47,950	27,397	(16,413)	(42,348)	16,586
Fund Cash Balances, January 1	281,282	188,388	16,413	240,634	726,717
<b>Fund Cash Balances, December 31</b>	<u><u>\$329,232</u></u>	<u><u>\$215,785</u></u>	<u><u>\$0</u></u>	<u><u>\$198,286</u></u>	<u><u>\$743,303</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$281,832		\$281,832
Fines, Licenses and Permits		\$35,674	35,674
Total Operating Cash Receipts	<u>281,832</u>	<u>35,674</u>	<u>317,506</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	55,462		55,462
Employee Fringe Benefits	21,181		21,181
Contractual Services	122,662		122,662
Supplies and Materials	20,316	37,914	58,230
Total Operating Cash Disbursements	<u>219,621</u>	<u>37,914</u>	<u>257,535</u>
Operating Income/(Loss)	<u>62,211</u>	<u>(2,240)</u>	<u>59,971</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	27,279		27,279
Total Non-Operating Cash Disbursements	<u>27,279</u>	<u>0</u>	<u>27,279</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	34,932	(2,240)	32,692
Transfers-In	7,432		7,432
Net Receipts Over/(Under) Disbursements	42,364	(2,240)	40,124
Fund Cash Balances, January 1	249,732	2,240	251,972
<b>Fund Cash Balances, December 31</b>	<b><u>\$292,096</u></b>	<b><u>\$0</u></b>	<b><u>\$292,096</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$46,493				\$46,493
Municipal Income Tax	387,532				387,532
Intergovernmental	53,525	\$150,033			203,558
Charges for Services	350	920			1,270
Fines, Licenses and Permits	26,346	3,604			29,950
Earnings on Investments	19,066	2,483			21,549
Miscellaneous	18,309	2,878			21,187
<b>Total Cash Receipts</b>	<u>551,621</u>	<u>159,918</u>	<u>\$0</u>	<u>\$0</u>	<u>711,539</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	237,213	5,795			243,008
Public Health Services	5,412				5,412
Leisure Time Activities	7,292	7,062			14,354
Community Environment	2,752				2,752
Basic Utility Service	875				875
Transportation		109,302			109,302
General Government	187,232				187,232
Capital Outlay				31,839	31,839
<b>Total Cash Disbursements</b>	<u>440,776</u>	<u>122,159</u>	<u>0</u>	<u>31,839</u>	<u>594,774</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>110,845</u>	<u>37,759</u>	<u>0</u>	<u>(31,839)</u>	<u>116,765</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-Out	(3,423)				(3,423)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(3,423)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,423)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>107,422</u>	<u>37,759</u>	<u>0</u>	<u>(31,839)</u>	<u>113,342</u>
Fund Cash Balances, January 1 (Restated)	173,860	150,629	16,413	272,473	613,375
<b>Fund Cash Balances, December 31</b>	<u><b>\$281,282</b></u>	<u><b>\$188,388</b></u>	<u><b>\$16,413</b></u>	<u><b>\$240,634</b></u>	<u><b>\$726,717</b></u>
Reserve for Encumbrances, December 31	<u>\$5,207</u>	<u>\$4,976</u>	<u>\$0</u>	<u>\$8,533</u>	<u>\$18,716</u>

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

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$294,298		\$294,298
Fines, Licenses and Permits		\$31,258	31,258
Total Operating Cash Receipts	294,298	31,258	325,556
<b>Operating Cash Disbursements:</b>			
Personal Services	61,922		61,922
Employee Fringe Benefits	95		95
Contractual Services	104,259		104,259
Supplies and Materials	17,117	29,584	46,701
Capital Outlay	5,144		5,144
Total Operating Cash Disbursements	188,537	29,584	218,121
Operating Income	105,761	1,674	107,435
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	26,409		26,409
Total Non-Operating Cash Disbursements	26,409	0	26,409
Excess of Receipts Over Disbursements Before Interfund Transfers	79,352	1,674	81,026
Transfers-In	3,423		3,423
Net Receipts Over Disbursements	82,775	1,674	84,449
Fund Cash Balances, January 1	166,957	566	167,523
<b>Fund Cash Balances, December 31</b>	<b>\$249,732</b>	<b>\$2,240</b>	<b>\$251,972</b>
Reserve for Encumbrances, December 31	\$8,327	\$1,416	\$9,743

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

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of East Canton, Stark County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services including water utilities, park operations (leisure time activities), and police services. The Village is located within Osnaburg Township which provides fire protection services to the Village.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

**C. Cash 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.

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

**3. Debt Service Funds**

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

**4. Capital Project Funds**

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

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

**5. Enterprise Funds**

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

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

**6. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 fund accounts for the collection of traffic violation fines which are subsequently disbursed to the proper agency with the remainder to the Village's General Fund.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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

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

**G. Accumulated Leave**

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

**2. Prior Period Adjustment**

In accordance with Auditor of State Bulletin 2005-005 "Required Fund Classifications for Non-GAAP Filers," the Village reclassified the Park and Recreation Expandable Trust Fund to a Special Revenue Fund. The reclassification increased the Special Revenue Fund cash balance \$90,589 and eliminated the Expendable Trust Fund Type, as of January 1, 2005.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Equity in Pooled Cash and Investments**

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

	2006	2005
Demand deposits	\$286,014	\$68,737
Certificates of deposit	212,260	350,993
Money Market	18,638	65,116
Total deposits	516,912	484,846
STAR Ohio	518,487	493,843
Total investments	518,487	493,843
Total deposits and investments	\$1,035,399	\$978,689

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

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

**4. Budgetary Activity**

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$471,520	\$573,936	\$102,416
Special Revenue	131,900	146,046	14,146
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	297,000	289,264	(7,736)
Agency	39,000	35,674	(3,326)
Total	\$939,420	\$1,044,920	\$105,500



**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$684,838	\$525,985	\$158,853
Special Revenue	294,314	118,649	175,665
Debt Service	16,413	16,413	0
Capital Projects	68,533	42,348	26,185
Enterprise	427,935	246,900	181,035
Agency	40,416	37,914	2,502
Total	<u>\$1,532,449</u>	<u>\$988,209</u>	<u>\$544,240</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$489,000	\$551,621	\$62,621
Special Revenue	168,298	159,918	(8,380)
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	282,927	297,721	14,794
Agency	31,000	31,258	258
Total	<u>\$971,225</u>	<u>\$1,040,518</u>	<u>\$69,293</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$660,160	\$449,406	\$210,754
Special Revenue	176,066	127,135	48,931
Debt Service	16,413	0	16,413
Capital Projects	104,811	40,372	64,439
Enterprise	404,835	223,273	181,562
Agency	31,000	31,000	0
Total	<u>\$1,393,285</u>	<u>\$871,186</u>	<u>\$522,099</u>

**5. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback 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.

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. Property Tax (Continued)**

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.

**6. Local Income Tax**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. Debt**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$115,835	4.78%

The Ohio Water Development Authority (OWDA) loan relates to the Nassau Waterline project.

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

Year ending December 31:	OWDA Loan
2007	\$8,459
2008	8,459
2009	8,459
2010	8,459
2011	8,459
2012-2016	42,295
2017-2021	42,295
2022-2026	42,295
2027-2029	21,148
Total	\$190,330

**VILLAGE OF EAST CANTON  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**8. Retirement Systems**

The Village's law enforcement belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions.
- Commercial Inland Marine;
- General liability;
- Employers liability; and
- Employee Benefits liability

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

The Village is a member of the Ohio Municipal League Rating Plan (OML GRP). The OML GRP is intended to potentially achieve a lower Worker's Compensation rate for group participants, foster safer working environments and foster cost-effective claims management skills in the area of Worker's Compensations.

**10. Contingent Liabilities**

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

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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of East Canton, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 30, 2007, in which we noted the Village reclassified the Parks and Recreation Expendable Trust Fund to a Special Revenue Fund Type and wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN Services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

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

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated August 30, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 30, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

August 30, 2007



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF EAST CANTON**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2007**