



Mary Taylor, CPA
Auditor of State

VILLAGE OF EAST CANTON
STARK COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of East Canton, Stark County, Ohio, (the Village) as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of East Canton, Stark County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction Maintenance and Repair, and Parks and Recreation Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2009, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

August 4, 2009

Village of East Canton
Stark County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

This discussion and analysis of the Village of East Canton's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2008, within the limitations of the Village's cash basis accounting. Readers should review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2008 are as follows:

The Village's general receipts are primarily property, income tax and intergovernmental receipts. These represent a large majority of the total cash received for governmental activities during the year. Property tax, income tax and intergovernmental receipts changed very little compared to 2007.

- The Village's governmental activities general receipts are primarily property and income taxes. These receipts represent \$551,694 and 76% of total cash received for governmental activities during the year. Property taxes increased slightly compared to 2007 and income taxes decreased due to the decline in the economy.
- Program specific revenues in the form of charges for service and sales and operating grants and contributions accounted for \$302,640 in the business-type activities which was a 4% increase over the \$290,041 collected in 2007.
- Total program expenses were \$669,440 in governmental activities which is a 12% decrease from the \$764,796 in 2007.
- In total, net assets of government activities increased by \$60,669 or 8% over 2007.
- In total, net asset of business-type activities decreased by \$105,122 or 33% below 2007.
- Outstanding debt payable to the OWDA and Ohio Public Works for Nassau Waterline Replacement were \$108,171 and \$301,113, respectively.

Using the Basic Financial Statements

The annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement 34, as applicable to the Village's cash basis accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balance or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of East Canton
Stark County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2008, within the limitation of the cash basis of accounting. The statement of net assets presents the cash and cash equivalent balances of the governmental and business-type activities of the Village at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's good or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the Statement of Activities the Village is divided into two distinct kinds of activities:

Governmental Activities: All of the Village's non-utility services are reported here, including persons and property and general governmental services.

Business Type Activities: The Village's Water Utility is reported here.

Village of East Canton
Stark County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Reporting the Village's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village uses many funds to account for financial transactions. However, these fund financial statements focus on the Village's most significant funds. The funds of the Village are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund statements provide a detailed review of the Village's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance the Village's programs. The Village's major governmental funds are the General fund, the Street Construction Maintenance and Repair fund, Park and Recreation fund, and Permanent Capital fund. The programs reported in governmental funds are closely related to that recorded in the governmental activities section of the entity-wide statements.

Proprietary Funds- The Village's Proprietary funds are classified as Enterprise funds. Enterprises funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses Enterprise funds to account for water services provided to Village residents and businesses. The Water fund is considered a major fund.

Fiduciary Funds- Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village has no fiduciary funds.

The Village as a Whole

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis:

Village of East Canton
Stark County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Cash and Cash Equivalents	\$803,286	\$742,617	\$215,655	\$320,777	\$1,018,941	\$1,063,394
Net Assets						
Restricted for:						
Capital Projects	\$148,835	\$162,098			\$148,835	\$162,098
Other Purposes	244,546	207,459			244,546	207,459
Unrestricted	409,905	373,060	215,655	320,777	625,560	693,837
Total Net Assets	\$803,286	\$742,617	\$215,655	\$320,777	\$1,018,941	\$1,063,394

Net assets of governmental activities increased \$60,669 or 8% and the business type activities decreased \$105,122 to a total of \$215,655 in 2008. The primary reason contributing to the increase in cash balances in the governmental activities was due to a decrease in spending by the Village. The decrease in cash balance in the business-type activities was due to increased spending for water operating services.

Village of East Canton
Stark County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Table 2 reflects the changes in net assets for fiscal years 2008 and 2007:

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$88,640	\$75,423	\$302,640	\$290,040	\$391,280	\$365,463
Operating Grants and Contributions	89,775	78,633			89,775	78,633
Total Program Receipts	178,415	154,056	302,640	290,040	481,055	444,096
General Receipts:						
Property Taxes	60,500	52,787			60,500	52,787
Income Taxes	351,651	365,146			351,651	365,146
Grants and Entitlements Not Restricted to Specific Programs	95,325	137,647			95,325	137,647
Sale of Fixed Asset		1,510				1,510
Investment Earnings	28,021	48,152			28,021	48,152
Miscellaneous	16,197	4,813			16,197	4,813
Total General Receipts	551,694	610,055	0	0	551,694	610,055
Total Receipts	730,109	764,111	302,640	290,040	1,032,749	1,054,151
Disbursements:						
General Government	240,168	270,747			240,168	270,747
Security of Persons and Property:	245,986	256,335			245,986	256,335
Public Health Services	5,699	5,540			5,699	5,540
Leisure Time Activities	9,599	21,495			9,599	21,495
Community Environment	3,300	2,527			3,300	2,527
Basic Utilities	4,867	4,918			4,867	4,918
Transportation	146,558	167,046			146,558	167,046
Capital Outlay	13,263	36,188			13,263	36,188
Water Operating Services			380,483	234,079	380,483	234,079
Water Reserve Principal Paid			27,279	27,279	27,279	27,279
Total Disbursements	669,440	764,796	407,762	261,358	1,077,202	1,026,154
Increase (Decrease) in Net Assets	60,669	(685)	(105,122)	28,682	(44,453)	27,997
Net Assets, January 1, 2007	742,617	743,302	320,777	292,095	1,063,394	1,035,397
Net Assets, December 31, 2007	\$803,286	\$742,617	\$215,655	\$320,777	\$1,018,941	\$1,063,394

Program receipts represent 47% of total receipts in 2008 and consist primarily of charges for services.

General receipts represent 53% of the Village's total receipts and of this amount over 74% is income generated from property, local government, and other taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead cost of running the Village and the support services provided for the other Village activities. These include the cost of council, fiscal officer, and income tax, as well as internal services such as payroll and purchasing.

Village of East Canton
Stark County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Security of Persons and Property are the cost of police protection; Leisure Time Activities are the costs of maintaining the parks; and Transportation is the cost of maintaining the roads.

Governmental Activities

The first column on the statement of activities on page 12 lists the major services provided by the Village. The next column identifies the costs of providing these services; the most significant program disbursements for governmental activities were for security of persons and property, transportation and general government, which account for \$245,986, \$146,558 and \$240,168 of cash disbursements for governmental activities, respectively. The next two columns of the statement, entitled charges for services and operating grants and contributions, identify amounts paid by users who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (disbursements)/receipts column compares the program receipts to the cost of the service. This "net-cost" amount represents the cost of the service which draws on the general receipts of the Village, which is primarily made up of property and income taxes assessed on the citizens and businesses of the Village and other grants and entitlements that are not restricted for particular purposes.

Table 3 summarizes the total cost and net cost of providing services to the residents and local businesses of the Village.

(Table 3)
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$240,168	(\$153,790)	\$270,747	(\$196,349)
Security of Persons	245,986	(\$245,986)	256,335	(\$256,335)
Public Health Services	5,699	(5,699)	5,540	(5,540)
Leisure Time Activities	9,599	(9,599)	21,495	(21,495)
Community Environment	3,300	(3,037)	2,527	(2,527)
Basic Utilities	4,867	(2,868)	4,918	(3,893)
Transportation	146,558	(56,783)	167,046	(88,413)
Capital Outlay	13,263	(13,263)	36,188	(36,188)
Total Expenses	\$669,440	(\$491,025)	\$764,796	(\$610,740)

The dependence upon general receipts is apparent as over 73% of governmental activities is supported through these general receipts.

Business-Type Activities

The Water Operating Fund had cash disbursements which exceeded program revenues by \$107,324. This was offset by a positive net cost of \$2,202 in the Water Reserve Nassua Waterline Replacement Fund.

The Village's Funds

Total governmental funds had receipts of \$730,110 and disbursements of \$669,441. Total governmental funds increased by \$60,669. The increase is attributed to a decrease in the expenditures made by the Village.

Village of East Canton
Stark County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

General Fund receipts were more than disbursements by \$36,845. An indication that General Fund should be accumulating a cash reserve.

Total Enterprise Funds has receipts of \$302,640 and disbursements of \$407,762. The fund balance in the Enterprise Funds decreased by (\$105,122). The decrease reflects expenditure of funds to replace a deteriorating water main on Church Street.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based on accounting for certain transaction on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General fund. During the course of fiscal year 2008, there were no amendments to the Village's total general fund budget. The Village uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources exceeded actual receipts and other financing sources by \$7,088. The primary factor contributing to this was the Village did not receive as much intergovernmental and municipal income tax as expected and was offset by the Village receiving more property and other local taxes than was expected.

Actual disbursements and other financing uses of the general fund were nearly \$186,352 below the final budgeted amount of \$686,890. The primarily factor contributing to this is a capital storm sewer project did not materialize as anticipated.

Capital Assets and Debt Administration

Capital Assets

The Village maintains capital asset listings of its land, building, infrastructure, and vehicles. Other capital assets are not maintained on detailed capital asset listing. These records are not required to be presented in the financial statements.

Debt

At December 31, 2008, the Village had \$108,171 in outstanding debt to Ohio Water Development Authority for Nassau Water Line Replacement Project (2004) and \$301,113 in loans to the Ohio Public Works Commission. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Village of East Canton
Stark County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Current Issues

The Village continues to address deteriorating infrastructure. In the summer of 2008 a deteriorated water line on South Cedar Street burst five times leading to a massive water loss and use of man hours. An application for assistance to the Ohio Public Works Commission resulted in approval for a loan to replace the line. (Project to begin in 2009). As we see an old system deteriorating we must be proactive in seeking as much fee funding as possible otherwise reserve funds will be depleted.

Capital Projects Completed 2008:

Two Major capital projects were completed in 2008. The projects were a "water line replacement project on Church Street and the replacement of a cement culvert and bridge on South Werley Street, this was part of the Liberty Street Drainage Project. Financing both projects was done in-house with the exception of a Community Development Block Grant of \$49,000, to help finance the Church Street Waterline Project.

In 2009, the Village will complete the Liberty Street Drainage Project with a loan from the Ohio Public Works Commission. With the present storm sewer deteriorating and requirements of the EPA, the Village may see costly repairs with insufficient funds.

Fall in Interest Rates and Loss in Income Tax:

The Village is beginning to see the affects of a deteriorating economy. Interest rates dropped and will continue to drop to all time lows. Loss of jobs impact income tax collections. The thing that will save the Village from experiencing a great income tax loss in fiscal year 2009 is the construction of the new Osnaburg School.

The Village of East Canton is the core of Osnaburg Township. The schools, police department, fire department, business district, recreational park and community center are located here. The Village, however, is not expanding its boundaries as other communities are. The Village Legislative Authority is addressing the issue of annexing beyond our borders.

Contacting the Village's Financial Management

The financial report is designed to provide our citizens, taxpayer, investor and creditors with a general overview of the Village's finances and to show the Village's Accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Barbara S. Hall, Fiscal Officer of the Village of East Canton, 130 S. Cedar Street, East Canton, Ohio 44730.

Village of East Canton
Stark County
Statement of Net Assets - Cash Basis
December 31, 2008

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$803,286	\$215,655	\$1,018,941
Net Assets			
Restricted for:			
Capital Projects	\$148,835		\$148,835
Other Purposes	244,546		244,546
Unrestricted	409,905	\$215,655	625,560
<i>Total Net Assets</i>	<u>\$803,286</u>	<u>\$215,655</u>	<u>\$1,018,941</u>

See accompanying notes to the basic financial statements

Village of East Canton
Stark County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
General Government	\$240,168	\$86,378		(\$153,790)		(\$153,790)
Security of Persons and Property	245,986			(245,986)		(245,986)
Public Health Services	5,699			(5,699)		(5,699)
Leisure Time Activities	9,599			(9,599)		(9,599)
Community Environment	3,300	263		(3,037)		(3,037)
Basic Utility Services	4,867	1,999		(2,868)		(2,868)
Transportation	146,558		\$89,775	(56,783)		(56,783)
Capital Outlay	13,263			(13,263)		(13,263)
<i>Total Governmental Activities</i>	669,440	88,640	89,775	(491,025)		(491,025)
Business Type Activity						
Water Operating	380,483	273,159			(\$107,324)	(107,324)
Water Reserve Nassua Waterline Replacement	27,279	29,481			2,202	2,202
<i>Total Business Type Activity</i>	407,762	302,640	0	0	(105,122)	(105,122)
Total	\$1,077,202	\$391,280	\$89,775	(491,025)	(105,122)	(596,147)
General Receipts						
Property Taxes Levied for:						
				60,500		60,500
				351,651		351,651
				95,325		95,325
				28,021		28,021
				16,197		16,197
<i>Total General Receipts</i>				551,694	0	551,694
Change in Net Assets				60,669	(105,122)	(44,453)
<i>Net Assets Beginning of Year</i>				742,617	320,777	1,063,394
<i>Net Assets End of Year</i>				\$803,286	\$215,655	\$1,018,941

See accompanying notes to the basic financial statements

Village of East Canton
Stark County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Street Construction Maintenance and Repair Fund	Parks and Recreation Fund	Permanent Capital Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$409,905	\$78,674	\$104,382	\$148,835	\$61,490	\$803,286
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$10,902	\$58				\$10,960
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	399,003					399,003
Special Revenue Funds		78,616	\$104,382		\$61,490	244,488
Capital Projects Funds				\$148,835		148,835
<i>Total Fund Balances</i>	<u>\$409,905</u>	<u>\$78,674</u>	<u>\$104,382</u>	<u>\$148,835</u>	<u>\$61,490</u>	<u>\$803,286</u>

See accompanying notes to the basic financial statements

Village of East Canton
Stark County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Street Construction Maintenance and Repair Fund	Parks and Recreation Fund	Permanent Capital Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	\$351,651					\$351,651
Property and Other Local Taxes	60,500					60,500
Charges for Services	323		\$1,999			2,322
Fines, Licenses and Permits	81,272	\$263			\$4,783	86,318
Intergovernmental	44,967	123,937			23,992	192,896
Interest	22,866	1,366	2,570		1,219	28,021
Miscellaneous	8,402					8,402
<i>Total Receipts</i>	<u>569,981</u>	<u>125,566</u>	<u>4,569</u>		<u>29,994</u>	<u>730,110</u>
Disbursements						
Current:						
General Government	237,351				2,817	240,168
Security of Persons and Property	245,986					245,986
Public Health Services	5,699					5,699
Leisure Time Activities	3,827		5,773			9,600
Community Environment	3,300					3,300
Basic Utility Services	4,867					4,867
Transportation	32,106	103,113			11,339	146,558
Capital Outlay				\$13,263		13,263
<i>Total Disbursements</i>	<u>533,136</u>	<u>103,113</u>	<u>5,773</u>	<u>13,263</u>	<u>14,156</u>	<u>669,441</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>36,845</u>	<u>22,453</u>	<u>(1,204)</u>	<u>(13,263)</u>	<u>15,838</u>	<u>60,669</u>
<i>Fund Balances Beginning of Year</i>	<u>373,060</u>	<u>56,221</u>	<u>105,586</u>	<u>162,098</u>	<u>45,652</u>	<u>742,617</u>
<i>Fund Balances End of Year</i>	<u>\$409,905</u>	<u>\$78,674</u>	<u>\$104,382</u>	<u>\$148,835</u>	<u>\$61,490</u>	<u>\$803,286</u>

See accompanying notes to the basic financial statements

Village of East Canton
Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Municipal Income Taxes	\$365,146	\$365,146	\$351,651	(\$13,495)
Property and Other Local Taxes	47,000	47,000	60,500	13,500
Charges for Services	400	400	323	(77)
Fines, Licenses and Permits	31,000	31,000	37,735	6,735
Intergovernmental	59,686	59,686	44,967	(14,719)
Interest	30,000	30,000	22,866	(7,134)
Miscellaneous			8,402	8,402
<i>Total Receipts</i>	<u>533,232</u>	<u>533,232</u>	<u>526,444</u>	<u>(6,788)</u>
Disbursements				
Current:				
General Government	242,375	242,375	195,125	47,250
Security of Persons and Property	289,114	289,114	246,654	42,460
Public Health Services	7,000	7,000	5,699	1,301
Leisure Time Activities	15,700	15,700	3,827	11,873
Community Environment	4,700	4,700	4,075	625
Basic Utility Services	5,000	5,000	4,867	133
Transportation	88,699	88,699	40,291	48,408
<i>Total Disbursements</i>	<u>652,588</u>	<u>652,588</u>	<u>500,538</u>	<u>152,050</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(119,356)</u>	<u>(119,356)</u>	<u>25,906</u>	<u>145,262</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	300	300		(300)
Transfers Out	(34,302)	(34,302)		34,302
<i>Total Other Financing Sources (Uses)</i>	<u>(34,002)</u>	<u>(34,002)</u>	<u>0</u>	<u>34,002</u>
<i>Net Change in Fund Balance</i>	(153,358)	(153,358)	25,906	179,264
<i>Fund Balance Beginning of Year</i>	371,946	371,946	371,946	0
Prior Year Encumbrances Appropriated	1,114	1,114	1,114	0
<i>Fund Balance End of Year</i>	<u>\$219,702</u>	<u>\$219,702</u>	<u>\$398,966</u>	<u>\$179,264</u>

See accompanying notes to the basic financial statements

**Village of East Canton
Stark County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction Maintenance and Repair Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Fines, Licenses and Permits			\$263	\$263
Intergovernmental	\$115,964	\$115,964	123,936	7,972
Interest	1,500	1,500	1,366	(134)
<i>Total Receipts</i>	<u>117,464</u>	<u>117,464</u>	<u>125,565</u>	<u>8,101</u>
Disbursements				
Current:				
Transportation	123,743	123,743	103,171	20,572
<i>Total Disbursements</i>	<u>123,743</u>	<u>123,743</u>	<u>103,171</u>	<u>20,572</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,279)</u>	<u>(6,279)</u>	<u>22,394</u>	<u>28,673</u>
<i>Net Change in Fund Balance</i>	(6,279)	(6,279)	22,394	28,673
<i>Fund Balance Beginning of Year</i>	54,479	54,479	54,479	0
Prior Year Encumbrances Appropriated	1,743	1,743	1,743	0
<i>Fund Balance End of Year</i>	<u>\$49,943</u>	<u>\$49,943</u>	<u>\$78,616</u>	<u>\$28,673</u>

See accompanying notes to the basic financial statements

Village of East Canton
Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Parks and Recreation Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	\$1,025	\$1,025	\$1,999	\$974
Interest	4,000	4,000	2,570	(1,430)
<i>Total Receipts</i>	<u>5,025</u>	<u>5,025</u>	<u>4,569</u>	<u>(456)</u>
Disbursements				
Current:				
Leisure Time Activities	107,800	107,800	5,773	102,027
<i>Total Disbursements</i>	<u>107,800</u>	<u>107,800</u>	<u>5,773</u>	<u>102,027</u>
<i>Net Change in Fund Balance</i>	(102,775)	(102,775)	(1,204)	101,571
<i>Fund Balance Beginning of Year</i>	105,586	105,586	105,586	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,811</u>	<u>\$2,811</u>	<u>\$104,382</u>	<u>\$101,571</u>

See accompanying notes to the basic financial statements

Village of East Canton
Stark County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2008

	Business-Type Activities		
	Water Operating Fund	Other Enterprise Fund	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$176,293	\$39,362	\$215,655
Net Assets			
Unrestricted	\$176,293	\$39,362	\$215,655

See accompanying notes to the basic financial statements

Village of East Canton
Stark County
*Statement of Cash Receipts, Disbursements
and Changes in Fund Net Assets - Cash Basis*
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities		
	Water Operating Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$273,159	\$29,481	\$302,640
Operating Disbursements			
Personal Services	79,686		79,686
Fringe Benefits	32,091		32,091
Contractual Services	119,982		119,982
Materials and Supplies	29,202		29,202
<i>Total Operating Disbursements</i>	260,961	0	260,961
<i>Operating Income (Loss)</i>	12,198	29,481	41,679
Non-Operating Receipts (Disbursements)			
Capital Outlay	(119,522)		(119,522)
Principal Payments		(21,993)	(21,993)
Interest and Fiscal Charges		(5,286)	(5,286)
<i>Total Non-Operating (Disbursements)</i>	(119,522)	(27,279)	(146,801)
<i>Change in Net Assets</i>	(107,324)	2,202	(105,122)
<i>Net Assets Beginning of Year</i>	283,617	37,160	320,777
<i>Net Assets End of Year</i>	<u>\$176,293</u>	<u>\$39,362</u>	<u>\$215,655</u>

See accompanying notes to the basic financial statements

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Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 1 – Reporting Entity

The Village of East Canton, Stark County, Ohio, 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, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water utility, maintenance of Village roads and bridges, park operations, and police services.

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

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

The Village of East Canton does not participate or are legally responsible for separate organizations, therefore, no liability is incurred.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a *cash* basis of accounting. This *cash* basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *cash* basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the *cash* basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for Fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the cash and cash equivalent balances of the governmental and business-type activities of the Village at year end. The Statement of Activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The Proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General, Street Construction Maintenance and Repair, Parks and Recreation, and the Permanent Capital Funds. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Street Construction Maintenance and Repair Fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets. The Parks and Recreation Fund receives charges for services and interest revenue. The Permanent Capital Fund receives money from the General Fund for the payment of capital improvements for the Village. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds.

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. The Village's major Enterprise fund is the water fund.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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 does not have fiduciary funds.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the Amended Certificate of Estimated Resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

Village records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

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 negative receipts, respectively.

During 2008, the Village invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. The nonnegotiable certificate of deposit is reported at cost. The Village's money market fund investment is recorded at the amount reported by Consumers National Bank at December 31, 2008.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$22,866 which includes \$13,948 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent Water Reserve Fund \$39,362.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their used either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street maintenance and repairs and parks and recreation.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Village reserves any portion of fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Street Construction Maintenance and Repair, and Parks and Recreation funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$10,902 and \$58 for the General and Street Construction Maintenance and Repair funds, respectively. The difference between the budgetary basis and the cash basis for the General fund is also attributable to the Village's Mayor's Court Fund being presented within the General Fund on the cash basis. However, the Mayor's Court Fund is not subject to budgetary laws and is not included in the General Fund on the budgetary basis.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 4 – Deposits and Investments (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that in the possession of an outside party. At year end, \$69,077 of the Village's bank balance of \$481,008 was exposed to custodial risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2008, the Village had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
Certificate of Deposit	\$229,664	3/14/09
STAR Ohio	<u>340,266</u>	Average
Total Portfolio	<u><u>\$569,930</u></u>	

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 4 – Deposits and Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 – Income Taxes

The Village levies a 1.50 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1.50 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 6 – Property Taxes (Continued)

The full tax rate for all Village operations for the year ended December 31, 2008, was \$2.30 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$23,040,110
Public Utility Property	868,948
Tangible Personal Property	386,642
Total Assessed Values	<u>\$24,295,700</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the Village contracted for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Ohio Plan	Commercial Property	\$2,907,260
	General Liability	2,000,000
	Commercial Crime	3,000
	Inland Marine	150,158
	Vehicle	2,000,000
	Errors and Omissions	2,000,000
	Public Officials	2,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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 compensation.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.00 percent of covered payroll, public safety members contributed 10.10 percent, and law enforcement members contributed 10.10 percent.

The Village's contribution rate for 2008 was 14.00 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 17.40 percent of covered payroll. For the period January 1 through December 31, 2008, a portion of the Village's contribution equal to 7.00 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008 and 2007, were \$18,006 and \$20,977, and respectively. The full amount has been contributed for 2008 and 2007.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 8 – Defined Benefit Pension Plans (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2008, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2008 and 2007 were \$9,008 and \$9,121, respectively. The full amount has been contributed for 2008 and 2007.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare for 2008 was 7.00 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008 and 2007 were \$18,006 and \$13,806, respectively. The full amount has been contributed for 2008 and 2007.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 9 - Postemployment Benefits (Continued)

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post -employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$4,769 and \$4,829 for the years ended December 31, 2008 and 2007, respectively. The full amount has been contributed for 2008 and 2007.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 10 – Debt

The Village's long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
<u>Business-type Activities</u>						
2004 OWDA Loan (Original Amount \$122,645)	4.78%	\$111,346	\$-	\$3,175	\$108,171	\$3,328
2003 OPWC Loan (Original Amount \$376,391)	0%	319,932	-	18,818	301,113	18,818
Total Business-type Activities		\$431,278	\$-	\$21,993	\$408,284	\$22,146

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to water main replacement projects. The OWDA loan will be repaid in semiannual installments of \$4,230, including interest, over 25 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The OPWC loan will be paid in semiannual installments of \$9,409.

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loans		OPWC Loan
	Principal	Interest	Principal
2009	\$3,328	\$5,131	\$18,818
2010	3,489	4,970	\$18,818
2011	3,659	4,802	\$18,818
2012	3,835	4,625	\$18,818
2013	4,020	4,439	\$18,818
2014-2018	23,213	19,083	\$94,090
2019-2023	29,398	12,899	\$94,090
2024-2028	37,229	5,067	\$18,843
Totals	\$108,171	\$61,016	\$301,113

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008, were an overall unvoted debt margin of \$408,284.

Note 11 – Construction and Contractual Commitments

The Village in 2008 contracted with A. Bonamase Construction to construct a bridge/culvert on South Werley Street. At year end \$8,185 remained to be paid to the company.

Village of East Canton
Stark County

Notes to the Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 12 – Contingent Liabilities

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

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

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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 St.
East Canton, Ohio 44730

To the Village Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of East Canton, Stark County, Ohio, (the Village) as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 4, 2009, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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.

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 4, 2009.

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 4, 2009.

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



Mary Taylor, CPA
Auditor of State

August 4, 2009



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
SEPTEMBER 29, 2009