

**VILLAGE OF HARTVILLE
STARK COUNTY**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2004**



Mary Taylor, CPA
Auditor of State

Village Council
Village of Hartville
202 West Maple Street
Hartville, Ohio 44632

We have reviewed the *Independent Auditor's Report* of the Village of Hartville, Stark County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Hartville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 6, 2007

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**VILLAGE OF HARTVILLE, OHIO
STARK COUNTY
FOR THE YEAR ENDED
DECEMBER 31, 2004**

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Hartville, Stark County
PO Box 760
Hartville, OH 44632-0760

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hartville, Stark County (the Village), as of and for the year ended December 31, 2004, 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. We believe our audit provides a reasonable basis for our opinions.

As described in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. 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 basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hartville as of December 31, 2004, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, Fire Fund and Income Tax Fund for 2004, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

INDEPENDENT AUDITOR'S REPORT (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

November 16, 2006

Village of Hartville, Stark County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of the Village of Hartville, Stark County, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2004 are as follows:

- Net assets of governmental activities increased \$189,889, or 39 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.
- The Village's general receipts are primarily property taxes, income taxes and grants and entitlements. These receipts represent respectively 22, 39, and 29 percent of the total cash received for governmental activities during the year. Income tax receipts for 2004 changed very little compared to 2003. Grants and Entitlements decreased as development within the Village has slowed.
- The sewer operation, the Village's lone business-type activity, decreased \$12,323 or 5% due to expenses being higher than the raise in the sewer rates.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of 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 balances or most activity in separate columns.

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

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.

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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 of Hartville as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash 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 goods or services and grants and contributions restricted to meeting the operational 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's 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's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such 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 financial 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, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has one business-type activity, the provision of sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village of Hartville as a whole. The Village of Hartville establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine

Village of Hartville, Stark County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's four major governmental funds are the General Fund, Fire Fund, Income Tax Fund, and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has one enterprise fund, the Sewer 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 as a Whole

Table 1 provides a summary of the Village's net assets for 2004 on a cash basis. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.:

(Table 1)
Net Assets

	Governmental Activities	Business-Type Activities	Total
	2004	2004	2004
Assets			
Cash and Cash Equivalents	\$674,225	\$243,417	\$917,642
Total Assets	<u>\$674,225</u>	<u>\$243,417</u>	<u>\$917,642</u>
Net Assets			
Restricted for:			
Debt Service	\$47,978	\$0	\$47,978
Capital Projects	163,078	0	163,078
Other Purposes	294,157	0	294,157
Unrestricted	<u>169,012</u>	<u>243,417</u>	<u>412,429</u>
Total Net Assets	<u>\$674,225</u>	<u>\$243,417</u>	<u>\$917,642</u>

As mentioned previously, net assets of governmental activities increased \$189,890 or 39 percent during 2004. The primary reasons contributing to the increases in cash balances are as follows:

- A significant increase in the grants receipts and charges for services.

Village of Hartville, Stark County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2 reflects the changes in net assets in 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$67,058	\$549,830	\$616,888
Operating Grants and Contributions	33,929	0	33,929
Total Program Receipts	<u>100,987</u>	<u>549,830</u>	<u>650,817</u>
General Receipts:			
Property and Other Local Taxes	458,190	0	458,190
Income Taxes	822,562	0	822,562
Grants and Entitlements Not Restricted to Specific Programs	596,299	0	596,299
Interest	9,791	0	9,791
Miscellaneous	95,225	747	95,972
Total General Receipts	<u>1,982,067</u>	<u>747</u>	<u>1,982,814</u>
Total Receipts	<u>2,083,054</u>	<u>550,577</u>	<u>2,633,631</u>
Disbursements:			
General Government	232,062	0	232,062
Security of Persons and Property:	916,014	0	916,014
Public Health Services	14,935	0	14,935
Leisure Time Activities	8,726	0	8,726
Community Environment	4,927	0	4,927
Basic Utilities	1,750	0	1,750
Transportation	246,351	0	246,351
Capital Outlay	468,399	0	468,399
Sewer	0	562,900	562,900
Total Disbursements	<u>1,893,164</u>	<u>562,900</u>	<u>2,456,064</u>
Increase (Decrease) in Net Assets	189,890	(12,323)	177,567
Net Assets, January 1, 2004	484,335	255,740	740,075
Net Assets, December 31, 2004	<u>\$674,225</u>	<u>\$243,417</u>	<u>\$917,642</u>

Program receipts represent only five percent of total receipts and are primarily comprised of licenses and permits, operating grants, and donations.

General receipts represent 95 percent of the Village's total receipts, and of this amount, almost 65 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (30 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the clerk/treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 1% of General Fund unrestricted receipts.

Village of Hartville, Stark County
Management's Discussion and Analysis
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Unaudited

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the community environment department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; Capital Outlay is the cost of purchased assets; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and capital outlay, which account for 48 and 25 percent of all governmental disbursements, respectively. Transportation and general government also represent significant costs, about 13 and 12 percent, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
General Government	\$232,062	\$216,111
Security of Persons and Property	916,014	839,423
Public Health Services	14,935	13,690
Leisure Time Activities	8,726	7,999
Community Environment	4,927	4,516
Basic Utilities	1,750	1,604
Transportation	246,351	240,435
Capital Outlay	468,399	468,399
Total Expenses	<u>\$1,893,164</u>	<u>\$1,792,177</u>

The dependence upon property and income tax receipts is apparent as over 70 percent of governmental activities are supported through these general receipts.

Business-type Activities

The sewer fund of the Village is relatively healthy because it ended the year with a balance of \$243,417. The Village will be repaying the OWDA loan with this surplus. The OWDA loan was acquired to build a wastewater treatment plant facility, which was built in 2000.

Village of Hartville, Stark County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The Village's Funds

Total governmental funds had receipts of \$2,083,054 and disbursements of \$1,893,165. The greatest change within governmental funds occurred within the Income Tax Fund. The fund balance of the Income Tax Fund increased \$213,848 as the result of achieving anticipated growth in income tax receipts.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were higher than original budgeted receipts. The difference between final budgeted receipts and actual receipts was significant.

Final disbursements were budgeted at \$1,058,859 while actual disbursements were \$877,292. Although receipts were more than expectations, appropriations were reduced. The Village spent under budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$109,079 for 2004.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2004, the Village's outstanding debt included a \$248,917 OWDA loan issued for improvements to buildings and structures, a \$1,211,720 OWDA loan issued for improvements to buildings and structures and a \$373,409 CS805 WWTP loan for facilities and equipment. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mrs. Anna M. Erb, Clerk-Treasurer, Village of Hartville, 202 West Maple Street, Hartville, OH 44632-0760.

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Village of Hartville, Stark County

Statement of Net Assets - Cash Basis

December 31, 2004

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$674,225	\$243,417	\$917,642
<i>Total Assets</i>	<u>\$674,225</u>	<u>\$243,417</u>	<u>\$917,642</u>
Net Assets			
Restricted for:			
Capital Projects	\$163,078	\$0	\$163,078
Debt Service	47,978	0	47,978
Other Purposes	294,157	0	294,157
Unrestricted	169,012	243,417	412,429
<i>Total Net Assets</i>	<u>\$674,225</u>	<u>\$243,417</u>	<u>\$917,642</u>

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	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	\$232,062	\$15,951	\$0	(\$216,111)	\$0	(\$216,111)
Security of Persons and Property	916,014	42,662	33,929	(839,423)	0	(839,423)
Public Health Services	14,935	1,245	0	(13,690)	0	(13,690)
Leisure Time Activities	8,726	727	0	(7,999)	0	(7,999)
Community Environment	4,927	411	0	(4,516)	0	(4,516)
Basic Utility Services	1,750	146	0	(1,604)	0	(1,604)
Transportation	246,351	5,916	0	(240,435)	0	(240,435)
Capital Outlay	468,399	0	0	(468,399)	0	(468,399)
<i>Total Governmental Activities</i>	<u>1,893,164</u>	<u>67,058</u>	<u>33,929</u>	<u>(1,792,177)</u>	<u>0</u>	<u>(1,792,177)</u>
Business-Type Activities						
Sewer	562,900	549,830	0	0	(13,070)	(13,070)
Total	<u>\$2,456,064</u>	<u>\$616,888</u>	<u>\$33,929</u>	<u>(1,792,177)</u>	<u>(13,070)</u>	<u>(1,805,247)</u>
General Receipts						
Property Taxes Levied for:						
General Purposes				141,450	0	141,450
Special Revenue				316,740	0	316,740
Municipal Income Taxes				822,562	0	822,562
Grants and Entitlements not Restricted to Specific Programs						
				596,299	0	596,299
Interest				9,791	0	9,791
Miscellaneous				95,225	747	95,972
<i>Total General Receipts</i>				<u>1,982,067</u>	<u>747</u>	<u>1,982,814</u>
Change in Net Assets				189,890	(12,323)	177,567
<i>Net Assets Beginning of Year</i>				<u>484,335</u>	<u>255,740</u>	<u>740,075</u>
<i>Net Assets End of Year</i>				<u>\$674,225</u>	<u>\$243,417</u>	<u>\$917,642</u>

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Fire Fund	Income Tax Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$169,012	\$0	\$237,778	\$163,078	\$104,357	\$674,225
<i>Total Assets</i>	<u>\$169,012</u>	<u>\$0</u>	<u>\$237,778</u>	<u>\$163,078</u>	<u>\$104,357</u>	<u>\$674,225</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$4,867	\$0	\$117	\$51,269	\$0	\$56,253
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	164,145	0	0	0	0	164,145
Special Revenue Funds	0	0	237,661	0	56,379	294,040
Debt Service Fund	0	0	0	0	47,978	47,978
Capital Projects Funds	0	0	0	111,809	0	111,809
<i>Total Fund Balances</i>	<u>\$169,012</u>	<u>\$0</u>	<u>\$237,778</u>	<u>\$163,078</u>	<u>\$104,357</u>	<u>\$674,225</u>

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2004

	General	Fire Fund	Income Tax Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	\$0	\$0	\$822,562	\$0	\$0	\$822,562
Property and Other Local Taxes	141,450	181,132	0	0	135,608	458,190
Charges for Services	6,526	0	0	0	0	6,526
Fines, Licenses and Permits	60,532	0	0	0	0	60,532
Intergovernmental	453,224	16,953	0	0	139,371	609,548
Interest	9,240	0	0	0	551	9,791
Donations	0	0	0	0	20,680	20,680
Miscellaneous	22,399	0	0	72,826	0	95,225
<i>Total Receipts</i>	<u>693,371</u>	<u>198,085</u>	<u>822,562</u>	<u>72,826</u>	<u>296,210</u>	<u>2,083,054</u>
Disbursements						
Current:						
General Government	191,348	0	40,714	0	0	232,062
Security of Persons and Property	511,765	198,085	0	0	206,164	916,014
Public Health Services	14,935	0	0	0	0	14,935
Leisure Time Activities	8,726	0	0	0	0	8,726
Community Environment	4,927	0	0	0	0	4,927
Basic Utility Services	1,750	0	0	0	0	1,750
Transportation	70,974	0	0	0	175,377	246,351
Capital Outlay	0	0	0	468,399	0	468,399
<i>Total Disbursements</i>	<u>804,425</u>	<u>198,085</u>	<u>40,714</u>	<u>468,399</u>	<u>381,541</u>	<u>1,893,164</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(111,054)</u>	<u>0</u>	<u>781,848</u>	<u>(395,573)</u>	<u>(85,331)</u>	<u>189,890</u>
Other Financing Sources (Uses)						
Transfers In	293,000	0	0	275,000	68,000	636,000
Transfers Out	(68,000)	0	(568,000)	0	0	(636,000)
<i>Total Other Financing Sources (Uses)</i>	<u>225,000</u>	<u>0</u>	<u>(568,000)</u>	<u>275,000</u>	<u>68,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	113,946	0	213,848	(120,573)	(17,331)	189,890
<i>Fund Balances Beginning of Year</i>	<u>55,066</u>	<u>0</u>	<u>23,930</u>	<u>283,651</u>	<u>121,688</u>	<u>484,335</u>
<i>Fund Balances End of Year</i>	<u>\$169,012</u>	<u>\$0</u>	<u>\$237,778</u>	<u>\$163,078</u>	<u>\$104,357</u>	<u>\$674,225</u>

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$109,551	\$109,551	\$141,450	\$31,899
Charges for Services	20,000	20,000	6,526	(13,474)
Fines, Licenses and Permits	84,000	84,000	60,532	(23,468)
Intergovernmental	97,950	693,315	453,224	(240,091)
Interest	9,000	9,000	9,240	240
Miscellaneous	62,000	62,000	22,399	(39,601)
<i>Total receipts</i>	382,501	977,866	693,371	(284,495)
Disbursements				
Current:				
General Government	258,159	262,159	192,220	69,939
Security of Persons and Property	435,000	560,000	512,256	47,744
Public Health Services	15,000	15,000	14,935	65
Leisure Time Activities	20,000	20,200	8,726	11,474
Community Environment	14,500	14,500	4,927	9,573
Basic Utility Services	4,000	4,000	1,750	2,250
Transportation	75,000	115,000	74,478	40,522
<i>Total Disbursements</i>	821,659	990,859	809,292	181,567
<i>Excess of Receipts Over (Under) Disbursements</i>	(439,158)	(12,993)	(115,921)	(102,928)
Other Financing Sources (Uses)				
Transfers In	400,000	400,000	293,000	(107,000)
Transfers Out	0	(68,000)	(68,000)	0
<i>Total Other Financing Sources (Uses)</i>	400,000	332,000	225,000	(107,000)
<i>Net Change in Fund Balance</i>	(39,158)	319,007	109,079	(209,928)
<i>Fund Balance Beginning of Year</i>	43,210	43,210	43,210	0
Prior Year Encumbrances Appropriated	11,856	11,856	11,856	0
<i>Fund Balance End of Year</i>	\$15,908	\$374,073	\$164,145	(\$209,928)

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	<u>\$182,241</u>	<u>\$197,241</u>	<u>\$198,085</u>	<u>\$844</u>
<i>Total receipts</i>	<u>182,241</u>	<u>197,241</u>	<u>198,085</u>	<u>844</u>
Disbursements				
Current:				
Security of Persons and Property	<u>182,241</u>	<u>197,241</u>	<u>198,085</u>	<u>(844)</u>
<i>Total Disbursements</i>	<u>182,241</u>	<u>197,241</u>	<u>198,085</u>	<u>(844)</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$850,000	\$885,429	\$822,562	(\$62,867)
<i>Total receipts</i>	<u>850,000</u>	<u>885,429</u>	<u>822,562</u>	<u>(62,867)</u>
Disbursements				
Current:				
General Government	85,428	85,428	40,831	44,597
<i>Total Disbursements</i>	<u>85,428</u>	<u>85,428</u>	<u>40,831</u>	<u>44,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>764,572</u>	<u>800,001</u>	<u>781,731</u>	<u>(18,270)</u>
Other Financing (Uses)				
Transfers Out	(800,000)	(800,000)	(568,000)	232,000
<i>Total Other Financing (Uses)</i>	<u>(800,000)</u>	<u>(800,000)</u>	<u>(568,000)</u>	<u>232,000</u>
<i>Net Change in Fund Balance</i>	(35,428)	1	213,731	213,730
<i>Fund Balance Beginning of Year</i>	<u>23,930</u>	<u>23,930</u>	<u>23,930</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$11,498)</u></u>	<u><u>\$23,931</u></u>	<u><u>\$237,661</u></u>	<u><u>\$213,730</u></u>

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2004

	Business-Type Activities
	Sewer Enterprise Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$243,417
<i>Total Assets</i>	<i>\$243,417</i>
Net Assets	
Unrestricted	\$243,417

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2004*

	Business-Type Activities
	Sewer Enterprise Fund
Operating Receipts	
Charges for Services	\$513,980
Fees, License and Permits	35,850
<i>Total Operating Receipts</i>	549,830
Operating Disbursements	
Personal Services	184,536
Contractual Services	80,419
Materials and Supplies	122,628
Capital Outlay	20,074
<i>Total Operating Disbursements</i>	407,657
<i>Operating Income</i>	142,173
Non-Operating Receipts (Disbursements)	
Miscellaneous	747
Principal Retirement	(115,767)
Interest and Fiscal Charges	(39,476)
<i>Total Non-Operating Receipts (Disbursements)</i>	(154,496)
<i>Change in Net Assets</i>	(12,323)
<i>Net Assets Beginning of Year</i>	255,740
<i>Net Assets End of Year</i>	\$243,417

See accompanying notes to the basic financial statements

Village of Hartville, Stark County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,407</u>
<i>Total Assets</i>	<u><u>\$2,407</u></u>
Net Assets	
Unrestricted	<u><u>\$2,407</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 1 – Reporting Entity

Village of Hartville, Stark County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for a four-year term. The mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie. The Clerk/Treasurer is elected to a four-year term and has no voting privileges.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separated from the Village. The Village provides general governmental services, including sewer, electric utilities, park operations (leisure time activities), police, fire protection and emergency medical services.

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 of Hartville has no component units.

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

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 principals 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.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 2 - Summary of Significant Accounting Policies (continued)

The Village does not apply FASB statement 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.

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 balance and net assets 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 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. Fiduciary funds are reported by type.

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 fund statements report all other receipts and disbursements as nonoperating.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 Fund, Fire Fund, Income Tax Fund, and Capital Project Fund. 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 Fire Fund accounts for monies received for operating and maintaining the Village Volunteer Fire Department. The Income Tax Fund is used to account for the costs of collecting the self-assessed taxes and the cost of administering and enforcing the income tax in accordance with the Village ordinance. The Capital Project Fund accounts for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through the enterprise fund). 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 enterprise.

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 sewer fund.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include the Mayor's Court Fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

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.

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 expenses and liabilities) are not recorded in these financial statements.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

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, department, and object 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 certificated 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

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.

During 2004, the Village invested in STAR Ohio. 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, 2004.

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 2004 were \$9,240 which includes \$7,956 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. The Village does not have any restricted assets.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

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. At December 31, 2004, the Village did not have any outstanding advances.

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.

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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care 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 use 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 in the income tax fund to be distributed to the general fund and the capital project fund.

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.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

The Village reserves any portion of fund balances 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 nonoperating 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.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of fund equity due to this change.

Fund balance for the general fund has been restated for prior year errors. The restatement is \$3,825 and increases fund balance at January 1, 2004 from \$51,241 to \$55,066.

Note 4 – 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 Fund, Income Tax Fund and Fire Fund is 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). The encumbrances outstanding at year end (budgetary basis) amounted to \$4,867 for the general fund, \$117 for the income tax fund and \$51,269 for the capital project fund.

Note 5 – 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.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 5 - Deposits and Investments (continued)

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;
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 are in the possession of an outside party. At December 31, 2004, the carrying amount of the Village's deposits was \$114,055. At year end, \$142,819 of the Village's bank balance of \$242,819 was exposed to custodial credit 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.

VILLAGE OF HARTVILLE
 STARK COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Note 5 - Deposits and Investments (continued)

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.

Investments

As of December 31, 2004, the Village had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$805,994	Average
Total Portfolio	\$805,994	

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

Note 6 – Income Tax

This locally levied tax of 1% is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Government. It also applies to net income of business organizations conducted within the Village. 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. After all expenses of collecting the tax and administering and enforcing the provisions of the ordinance establishing the income tax, fifty percent of the balance is transferred to the general fund and fifty percent is transferred to the capital projects fund. Income tax receipts credited entirely to the Special Revenue Income Tax Fund and amounted to \$822,562 for 2004.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 7 – Property Taxes (continued)

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2004, was \$7.05 per \$1,000 of assessed value. The assessed values of real property, public utility property, and general personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$33,465,430
Other	20,800,490
Public Utility Property	
Personal	1,667,530
General Personal Property	<u>13,845,437</u>
Total Assessed Value	<u>\$69,778,887</u>

Note 8 – Risk Management

The Village is exposed to various risks of loss related torts, theft of, damage to, destruction of assets errors and omissions, injuries to employees and natural disasters. The Village has obtained commercial insurance to cover its risk of loss. The Village has not reduced its coverage from the previous year and no settlements have exceeded the insurance coverage in the past three years.

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

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

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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).

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 9 – Defined Benefit Pension Plans (continued)

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.

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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension benefits to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$43,461, \$42,837 and \$40,240 respectively. The full amount has been contributed for 2004, 2003 and 2002.

B. Ohio Police and Fire Pension Fund

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 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.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ending December 31, 2004, 2003, and 2002 were \$52,494, \$49,454, and \$44,128. The full amount has been contributed for 2004, 2003, and 2002.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 10 – Post Employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to be traditional or combined plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases.

Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investments assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$18,204. The actual contribution and the actuarially required contributions amounts are the same. OPER's net assets available for payment of benefits as December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively. On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 10 – Post Employment Benefits (Continued)

The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund’s board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer’s contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The OP&F’s total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 11 – Debt

Debt outstanding at December 31, 2004 was as follows:

	Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004	Due Within One Year
CS805 WWTP, 0.00% 1/1/2017 maturity	\$404,527	\$0	(\$31,118)	\$373,409	\$31,118
OWDA 407 SRF, 3.12% 7/1/2018 maturity	1,282,914	0	(71,194)	1,211,720	73,433
OWDA 3722, 0.00% 7/1/2023 maturity	262,372	0	(13,455)	248,917	13,455
Total Debt	\$1,949,813	\$0	(\$115,767)	\$1,834,046	\$118,006

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 11 – Debt (continued)

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

Year	WWTP		OWDA 407		OWDA 3722	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$31,118	\$0	\$73,433	\$37,237	\$13,455	\$0
2006	31,118	0	75,742	34,928	13,455	0
2007	31,118	0	78,124	32,547	13,455	0
2008	31,118	0	80,580	30,090	13,455	0
2009	31,118	0	83,114	27,557	13,455	0
2010-2014	155,588	0	456,454	96,899	67,275	0
2015-2019	62,231	0	364,273	23,076	67,275	0
2020-2023	0	0	0	0	47,092	0
Totals	<u>\$373,409</u>	<u>\$0</u>	<u>\$1,211,720</u>	<u>\$282,334</u>	<u>\$248,917</u>	<u>\$0</u>

The Ohio Water Development Authority (OWDA) loan 3722 relates to a project for the construction of sanitary sewer to connect to the existing Sunnyside lift station. The loan will be repaid semiannual installments of \$6,727.50 until its maturity in 2023. The loan is secured by sewer receipts.

The Ohio Water Development Authority (OWDA) loan 407 relates to a project for the expansion of the aerobic digester/sludge storage facilities and chlorine contact tank. The loan will be repaid semiannual installments of \$55,335 until its maturity in 2018. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Waste Water Treatment Plant Replacement and Improvement (WWTP) loan relates to a project for the increase in amount of gallons passing through the Waste Water Treatment Plant. The loan will be repaid with semiannual installments of \$15,559 until its maturity in 2017. The loan is secured by sewer receipts.

Note 12 – Interfund Transfers

During 2004 the following transfers were made:

	Transfers In	Transfers Out
Governmental Activities:		
General Fund	\$293,000	\$68,000
Income Tax Fund	0	568,000
Capital Project Fund	275,000	0
Other Governmental Funds	68,000	0
	<u>\$636,000</u>	<u>\$636,000</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 11 – Contingent Liabilities

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management does not believe these matters will material affect the Village’s financial condition.

VILLAGE OF HARTVILLE
STARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 12 – Accountability

The Village was not in compliance with Section 5705.41(D), Ohio Revised Code, which requires a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit an appropriate fund free from any previous encumbrances prior to ording or contracting for expenditure of money.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Village Council
Village of Hartville, Stark County
PO Box 760
Hartville, OH 44632-0760

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hartville, Stark County (the Village), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2004-01.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

We also noted certain additional matters that we have reported to management of the Village in a separate letter dated November 16, 2006.

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

November 16, 2006

VILLAGE OF HARTVILLE
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2003-001	ORC Section 5705.41(B)	Yes	N/A

VILLAGE OF HARTVILLE
SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2004

2004-01

Section 5705.41, Revised Code, states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements:

- § Then and Now Certificates – If the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such a certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- § If the amount is less than \$3,000, the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the taxing authority, if such expenditure is otherwise valid.

During 2004, 30 out of 64 expenditures tested (47%) were not certified by the fiscal officer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance. The Village should certify the availability of funds prior to incurring the obligation for expenditures. The Village should also implement the use of Then and Now Certificates and Blanket Certificates as further permitted by the Ohio Revised Code Section 5705.41.

Corrective Action:

The Village will utilize the Then and Now Certification and also use Super Blanket Purchase Orders.



Mary Taylor, CPA
Auditor of State

VILLAGE OF HARTVILLE

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
MARCH 20, 2007**