

**VILLAGE OF HARTVILLE
STARK COUNTY**

INDEPENDENT AUDITOR'S REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**



**Auditor of State
Betty Montgomery**

Members of Council
Village of Hartville

We have reviewed the Independent Auditor's Report of the Village of Hartville, Stark County, prepared by Gary B. Fink & Associates, Inc. for the audit period January 1, 2002 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 16, 2004

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**VILLAGE OF HARTVILLE, OHIO
STARK COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Hartville, Stark County
202 West Maple Street
Hartville, OH 44632

We have audited the accompanying financial statements of Village of Hartville, Stark County (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than 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 fund cash balances and reserve for encumbrances of the Village of Hartville as of December 31, 2003 and December 31, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully discussed in Note 2 to the financial statements, the Village has reclassified its Income Tax Fund from an Expendable Trust Fund to a Special Revenue Fund. Fund balances as of January 1, 2002 have been restated as a result of this reclassification.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 18, 2004

Village of Hartville, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property Tax and Other Local Taxes	\$153,845	\$277,134	\$0	\$0	\$430,979
Municipal Income Taxes	0	815,752	0	0	815,752
Intergovernmental	123,576	132,194	0	2,701	258,471
Charges for Services	11,232	0	0	0	11,232
Fines, Licenses and Permits	24,928	0	0	0	24,928
Earnings on Investments	2,907	247	0	417	3,571
Miscellaneous	4,945	33,345	0	419,664	457,954
Total Cash Receipts	321,433	1,258,672	0	422,782	2,002,887
Cash Disbursements					
Current:					
Security of Persons and Property	452,674	374,747	0	0	827,421
Public Health Services	14,113	0	0	0	14,113
Leisure Time Activities	12,733	0	0	0	12,733
Community Environment	7,995	0	0	0	7,995
Basic Utility Services	950	0	0	0	950
Transportation	60,750	167,549	0	0	228,299
General Government	213,378	14,515	0	0	227,893
Debt Service:					
Redemption of Principal	0	0	100,142	6,728	106,870
Interest and Other Fiscal Charges	0	0	41,646	0	41,646
Capital Outlay	0	0	0	836,171	836,171
Total Cash Disbursements	762,593	556,811	141,788	842,899	2,304,091
Excess/(Deficiency) of Cash Receipts Over/ (Under) Cash Disbursements Before Other Financing Sources/(Uses)	(441,160)	701,861	(141,788)	(420,117)	(301,204)
Other Financing Sources/(Uses)					
Transfers In	388,000	68,000	141,788	701,390	1,299,178
Transfers Out	(68,000)	(758,000)	0	0	(826,000)
Other Uses	0	(18,530)	0	0	(18,530)
Total Other Financing Sources/(Uses)	320,000	(708,530)	141,788	701,390	454,648
Total Receipts Over/(Under) Disbursements	(121,160)	(6,669)	0	281,273	153,444
Fund Cash Balances, January 1, 2003	172,401	104,309	47,978	2,378	327,066
Fund Cash Balances, December 31, 2003	\$51,241	\$97,640	\$47,978	\$283,651	\$480,510
Reserve For Encumbrances	\$11,856	\$0	\$0	\$48,678	\$60,534

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

Village of Hartville, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$575,753	\$0	\$575,753
Total Operating Cash Receipts	<u>575,753</u>	<u>0</u>	<u>575,753</u>
Operating Cash Disbursements			
Personal Services	188,352	0	188,352
Contractual Services	0	20,372	20,372
Supplies and Materials	197,672	0	197,672
Capital Outlay	89,575	0	89,575
Total Operating Cash Disbursements	<u>475,599</u>	<u>20,372</u>	<u>495,971</u>
Operating Income/(Loss)	<u>100,154</u>	<u>(20,372)</u>	<u>79,782</u>
Non-Operating Cash Receipts			
Miscellaneous	773	20,411	21,184
Interest and Other Fiscal Charges	3,555	0	3,555
Total Non-Operating Receipts	<u>4,328</u>	<u>20,411</u>	<u>24,739</u>
Net Income Before Non-Operating Cash Disbursements	104,482	39	104,521
Non-Operating Cash Disbursements			
Transfers Out	(473,178)	0	(473,178)
Net Income/(Loss)	(368,696)	39	(368,657)
Fund Cash Balances, January 1, 2003	<u>624,436</u>	<u>1,614</u>	<u>626,050</u>
Fund Cash Balances, December 31, 2003	<u>\$255,740</u>	<u>\$1,653</u>	<u>\$257,393</u>
Reserve For Encumbrances	<u>\$36,076</u>	<u>\$0</u>	<u>\$36,076</u>

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

Village of Hartville, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2002

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property Tax and Other Local Taxes	\$123,434	\$146,814	\$0	\$0	\$270,248
Municipal Income Taxes	0	803,240	0	0	803,240
Intergovernmental	223,280	92,010	0	1,600	316,890
Charges for Services	10,391	0	0	0	10,391
Fines, Licenses and Permits	23,091	0	0	0	23,091
Earnings on Investments	7,825	663	0	1,231	9,719
Miscellaneous	29,148	34,539	0	78,380	142,067
Total Cash Receipts	417,169	1,077,266	0	81,211	1,575,646
Cash Disbursements					
Current:					
Security of Persons and Property	444,048	238,468	0	0	682,516
Public Health Services	13,489	0	0	0	13,489
Leisure Time Activities	10,038	0	0	0	10,038
Community Environment	5,679	0	0	0	5,679
Basic Utility Service	240	0	0	0	240
Transportation	51,994	142,637	0	0	194,631
General Government	223,256	16,043	0	0	239,299
Debt Service:					
Redemption of Principal	0	0	98,038	0	98,038
Interest and Other Fiscal Charges	0	0	43,843	0	43,843
Capital Outlay	0	0	0	756,061	756,061
Total Cash Disbursements	748,744	397,148	141,881	756,061	2,043,834
Excess/(Deficiency) of Cash Receipts Over/ (Under) Cash Disbursements Before Other Financing Sources/(Uses)	(331,575)	680,118	(141,881)	(674,850)	(468,188)
Other Financing Sources/(Uses)					
Transfers In	410,000	143,000	141,881	410,000	1,104,881
Transfers Out	(125,000)	(838,000)	0	0	(963,000)
Other Uses	0	(19,476)	0	0	(19,476)
Total Other Financing Sources/(Uses)	285,000	(714,476)	141,881	410,000	122,405
Total Receipts (Under) Disbursements	(46,575)	(34,358)	0	(264,850)	(345,783)
Fund Cash Balances, January 1, 2002 (Restated, See Note 2)	216,976	138,667	47,978	267,228	670,849
Fund Cash Balances, December 31, 2002	\$170,401	\$104,309	\$47,978	\$2,378	\$325,066
Reserve For Encumbrances	\$7,115	\$1,262	\$0	\$0	\$8,377

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

Village of Hartville, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$529,084	\$0	\$529,084
Total Operating Cash Receipts	<u>529,084</u>	<u>0</u>	<u>529,084</u>
Operating Cash Disbursements			
Personal Services	176,415	0	176,415
Contractual Services	0	23,557	23,557
Supplies and Materials	200,588	0	200,588
Capital Outlay	27,391	0	27,391
Total Operating Cash Disbursements	<u>404,394</u>	<u>23,557</u>	<u>427,951</u>
Operating Income/(Loss)	<u>124,690</u>	<u>(23,557)</u>	<u>101,133</u>
Non-Operating Cash Receipts			
Miscellaneous	1,322	24,423	25,745
Interest and Other Fiscal Charges	9,144	0	9,144
Total Non-Operating Receipts	<u>10,466</u>	<u>24,423</u>	<u>34,889</u>
Net Income Before Non-Operating Cash Disbursements	135,156	866	136,022
Non-Operating Cash Disbursements			
Transfers Out	(141,881)	0	(141,881)
Net Income/(Loss)	(6,725)	866	(5,859)
Fund Cash Balances, January 1, 2002 (Restated, See Note 2)	<u>631,161</u>	<u>748</u>	<u>631,909</u>
Fund Cash Balances, December 31, 2002	<u>\$624,436</u>	<u>\$1,614</u>	<u>\$626,050</u>
Reserve For Encumbrances	<u>\$10,813</u>	<u>\$0</u>	<u>\$10,813</u>

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

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the 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 publicly-elected, six-member Council. The Village provides general governmental services, including sewer, electric utilities, park operations (leisure time activities), and police, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Investments and Inactive Funds

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

Investments in STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer. Investments in repurchase agreements are valued at cost.

D. Fund Accounting

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Governmental Fund Types:

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

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

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

State Highway Improvement – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village Streets.

Fire Fund – This fund receives levy monies for operating and maintaining the Village Volunteer Fire Department.

Lake EMS Fund – This fund receives levy monies for the purpose of affording emergency protection to the residents of Hartville.

Income Tax Fund – This 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.

Debt Service Fund – This fund is used to accumulate resources for the payment of debt.

Capital Projects Fund – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through the enterprise fund).

Proprietary Fund Types:

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

Sanitary Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Fiduciary Fund Types:

These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. The following are the Village's fiduciary fund types:

Agency Funds - These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

F. **Budgetary Process**

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 4.

G. **Property, Plant and Equipment**

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

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as a liabilities under the Village's basis of accounting.

I. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. **RESTATEMENT OF PRIOR YEAR FUND BALANCE**

The beginning balance for the Agency Fund has been restated due to an improper recording of cash in a prior year. The amount was budgeted for the Agency Fund and mistakenly recorded as actual cash.

	<u>Agency Fund</u>
Fund Balance, December 31, 2001	\$3,840
Prior Year Corrections	(3,092)
Restated Fund Balance, January 1, 2002	<u>\$748</u>

For 2002, the Village has reclassified its Income Tax Fund from an Expendable Trust Fund to a Special Revenue Fund type resulting in a change to the beginning fund balance for the Special Revenue Funds and the Expendable Trust Fund as follows:

	<u>Special Revenue Funds</u>	<u>Expendable Trust Fund</u>
Fund Balance, December 31, 2001	\$53,798	\$84,869
Adjustments:		
Fund Balance of Expendable Trust, December 31, 2001	84,869	(84,869)
Restated Fund Balance, January 1, 2002	<u>\$138,667</u>	<u>\$0</u>

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$21,574	\$23,460
Total Deposits	<u>21,574</u>	<u>23,460</u>
STAR Ohio	546,339	814,378
Repurchase agreements	<u>169,990</u>	<u>115,278</u>
Total Investments	<u>716,329</u>	<u>929,656</u>
 Total Deposits and Investments	 <u>\$737,903</u>	 <u>\$953,116</u>

Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

Investments – The Village has invested in repurchase agreements. These investments are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the name of the Village. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 was as follows:

2003 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$823,870	\$709,433	(\$114,437)
Special Revenue	1,577,175	1,326,672	(250,503)
Debt Service	150,000	141,788	(8,212)
Capital Projects	1,227,377	1,124,172	(103,205)
Enterprise	1,120,000	580,081	(539,919)
Fiduciary	<u>5,500</u>	<u>20,411</u>	<u>14,911</u>
 Total	 <u>\$4,903,922</u>	 <u>\$3,902,557</u>	 <u>(\$1,001,365)</u>

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

4. **BUDGETARY ACTIVITY** (continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Encumbrances</u>	<u>Variance</u>
General	\$996,274	\$830,593	\$11,856	\$153,825
Special Revenue	1,571,823	1,333,341	0	238,482
Debt Service	144,735	141,788	0	2,947
Capital Projects	1,202,377	842,899	48,678	310,800
Enterprise	1,234,293	948,777	36,076	249,440
Total	<u>\$5,149,502</u>	<u>\$4,097,398</u>	<u>\$96,610</u>	<u>\$955,494</u>

2002 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,065,942	\$827,169	(\$238,773)
Special Revenue	1,303,850	1,220,266	(83,584)
Debt Service	150,000	141,881	(8,119)
Capital Projects	1,168,635	491,211	(677,424)
Enterprise	895,000	539,550	(355,450)
Fiduciary	500	24,423	23,923
Total	<u>\$4,583,927</u>	<u>\$3,244,500</u>	<u>(\$1,339,427)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Encumbrances</u>	<u>Variance</u>
General	\$1,257,531	\$873,744	\$7,115	\$376,672
Special Revenue	1,435,399	1,254,624	1,262	179,513
Debt Service	144,735	141,881	0	2,854
Capital Projects	1,435,863	756,061	0	679,802
Enterprise	1,363,176	546,275	10,813	806,088
Fiduciary	4,340	23,557	0	(19,217)
Total	<u>\$5,641,044</u>	<u>\$3,596,142</u>	<u>\$19,190</u>	<u>\$2,025,712</u>

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

5. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then reimbursed to the Village by the State of Ohio. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20. Under certain circumstances, state statute permits later payment dates to be established.

Tangible personal property tax is assessed to the property owners, who must file a list of such property to the County by each June 18.

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

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. Tax receipts are credited 50% to the General Fund and 50% to the Capital Projects Funds and equaled \$815,752 for 2003 and \$803,240 for 2002.

7. **DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003
CS805 WWTP, 0.00% 1/1/2017 maturity	\$435,645	\$0	(\$31,118)	\$404,527
OWDA 407 SRF, 3.12% 7/1/2018 maturity	1,351,938	0	(69,024)	1,282,914
OWDA 3722, 0.00% 7/1/2023 maturity	269,100	0	(6,728)	262,372
Total Debt	<u>\$2,056,683</u>	<u>\$0</u>	<u>(\$106,870)</u>	<u>\$1,949,813</u>

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

7. **DEBT** (continued)

Debt outstanding at December 31, 2002 was as follows:

	Balance 01/01/2002	Additions	Deletions	Balance 12/31/2002
CS805 WWTP, 0.00% 1/1/2017 maturity	\$466,763	\$0	(\$31,118)	\$435,645
OWDA 407 SRF, 3.12% 7/1/2018 maturity	1,418,858	0	(66,920)	1,351,938
Total Debt	<u>\$1,885,621</u>	<u>\$0</u>	<u>(\$98,038)</u>	<u>\$1,787,583</u>

The Village had an outstanding loan balance at December 31, 2001 for OWDA 407 of \$1,422,734. However, per discussion with OWDA, the Village decreased its loan balance by \$3,876 as it determined it did not need the entire initial loan. Therefore, the December 31, 2001 ending balance in the prior year audit report does not agree to the January 1, 2002 beginning balance for the loan as stated above.

8. **RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

9. **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. During the fiscal years 2003 and 2002, the Village contracted with four insurance companies for coverage of buildings and contents.

VILLAGE OF HARTVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

9. **RISK MANAGEMENT** (continued)

The following is a list of insurance coverage of the Village and the deductibles associated with each:

<u>Type of Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Commercial Property	\$2,854,800	\$250
Commercial General Liability	300,000	
General Floater	23,000	100
Blanket Bond	1,000,000	1,000
Vehicles	300,000	
Farm Liability	300,000	
Public Officials' Liability	1,000,000	250
Law Enforcement Liability	2,000,000	1,000
Contractors' Equipment	107,700	250
Electronic Data Processing	28,000	250

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.

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

Village Council
Village of Hartville, Stark County
202 West Maple Street
Hartville, OH 44632

We have audited the financial statements of Village of Hartville, Stark County (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 18, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as Item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village, in a separate letter dated June 18, 2004.

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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that we have reported to management of the Village, in a separate letter dated June 18, 2004.

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

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 18, 2004

VILLAGE OF HARTVILLE
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002

<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>
2000-H-001	ORC Section 5705-41(B)	No	Not corrected, reissued as Finding 2003-001
2001-H-001	ORC Section 5705-41(B)	No	Not corrected, reissued as Finding 2003-001

VILLAGE OF HARTVILLE
STARK COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2003-001

Section 5705.41(B), Revised Code, requires that no subdivision or taxing unit is to expend money unless it has been appropriated at the legal level of budgetary control. At December 31, 2002, expenditures plus outstanding encumbrances exceeded appropriations in the following funds by the following amounts:

	<u>2002</u>
General Fund	
Transfers Out	\$125,000
Fire Fund	
Fire Fighting Prevention and Inspection	
Personal Services	427
Lake EMS Fund	
Fire Fighting Prevention and Inspection	
Personal Services	187
Mayor's Court	
Contractual Services	19,217

In addition, appropriations posted to the Village's appropriation reports did not always agree to the Village's actual annual appropriation measure plus supplemental appropriations. The Clerk/Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid overspending and periodically review the Village's appropriations report to ensure appropriation amounts are posted accurately and timely.



**Auditor of State
Betty Montgomery**

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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
AUGUST 31, 2004**