



Dave Yost • Auditor of State



VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY

TABLE OF CONTENTS

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Independent Auditor's Report .....   | 1           |
| Prepared by Management:  |             |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances<br>(Regulatory Cash Basis) – All Governmental Fund Types FYE 12/31/2016 .....                  | 3           |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances<br>(Regulatory Cash Basis) – Proprietary Fund Type FYE 12/31/2016 .....                        | 4           |
| Notes to the Financial Statements FYE 12/31/2016 .....   | 5           |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances<br>(Regulatory Cash Basis) – All Governmental Fund Types FYE 12/31/2015 .....                  | 13          |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances<br>(Regulatory Cash Basis) – Proprietary Fund Type FYE 12/31/2015 .....                        | 14          |
| Notes to the Financial Statements FYE 12/31/2015 .....   | 15          |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> ..... | 23          |
| Schedule of Findings.....  | 25          |

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Garrettsville  
Portage County  
8213 High Street  
Garrettsville, Ohio 44231

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Garrettsville, Portage County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Garrettsville, Portage County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 31, 2017

**Village of Garrettsville**  
*Portage County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2016*

|   | General           | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|-------------------|--------------------|------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                   |                    |                  |                     |                                |
| Property and Other Local Taxes                        | \$ 119,601        | \$ -               | \$ -             | \$ -                | \$ 119,601                     |
| Municipal Income Tax                                  | 939,072           | 237,740            | -                | 11,887              | 1,188,699                      |
| Intergovernmental                                     | 78,137            | 117,812            | -                | -                   | 195,949                        |
| Special Assessments                                   | -                 | -                  | 25,766           | -                   | 25,766                         |
| Charges for Services                                  | 65,770            | 18,330             | -                | -                   | 84,100                         |
| Fines, Licenses and Permits                           | 45,513            | 458                | -                | -                   | 45,971                         |
| Earnings on Investments                               | 9,132             | 901                | -                | -                   | 10,033                         |
| Miscellaneous   | 19,367            | 5,545              | -                | -                   | 24,912                         |
| <i>Total Cash Receipts</i>                            | <u>1,276,592</u>  | <u>380,786</u>     | <u>25,766</u>    | <u>11,887</u>       | <u>1,695,031</u>               |
| <b>Cash Disbursements</b>                             |                   |                    |                  |                     |                                |
| Current:  |                   |                    |                  |                     |                                |
| Security of Persons and Property                      | 728,790           | 11,194             | -                | -                   | 739,984                        |
| Public Health Services                                | -                 | 5,341              | -                | -                   | 5,341                          |
| Leisure Time Activities                               | 76,927            | -                  | -                | -                   | 76,927                         |
| Community Environment                                 | 19,979            | -                  | -                | -                   | 19,979                         |
| Transportation  | -                 | 284,608            | -                | -                   | 284,608                        |
| General Government                                    | 407,696           | -                  | 3,555            | -                   | 411,251                        |
| Capital Outlay  | 92,409            | 40,100             | -                | 2,000               | 134,509                        |
| <i>Total Cash Disbursements</i>                       | <u>1,325,801</u>  | <u>341,243</u>     | <u>3,555</u>     | <u>2,000</u>        | <u>1,672,599</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>(49,209)</u>   | <u>39,543</u>      | <u>22,211</u>    | <u>9,887</u>        | <u>22,432</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>       |                   |                    |                  |                     |                                |
| Transfers In  | 133,100           | -                  | -                | -                   | 133,100                        |
| Transfers Out   | -                 | (133,100)          | -                | -                   | (133,100)                      |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>133,100</u>    | <u>(133,100)</u>   | <u>-</u>         | <u>-</u>            | <u>-</u>                       |
| <i>Fund Cash Balances, January 1</i>                  | <u>293,920</u>    | <u>444,064</u>     | <u>6,112</u>     | <u>17,300</u>       | <u>761,396</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                   |                    |                  |                     |                                |
| Restricted  | -                 | 350,507            | 28,323           | -                   | 378,830                        |
| Committed   | -                 | -                  | -                | 27,187              | 27,187                         |
| Unassigned (Deficit)                                  | 377,811           | -                  | -                | -                   | 377,811                        |
| <i>Fund Cash Balances, December 31</i>                | <u>\$ 377,811</u> | <u>\$ 350,507</u>  | <u>\$ 28,323</u> | <u>\$ 27,187</u>    | <u>\$ 783,828</u>              |

See accompanying notes to the basic financial statements

**Village of Garrettsville**  
*Portage County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**Proprietary Fund Type**  
*For the Year Ended December 31, 2016*

|   | Proprietary<br>Fund Type |
|---|--------------------------|
|   | Enterprise               |
| <b>Operating Cash Receipts</b>                      |                          |
| Charges for Services                                | \$ 1,246,270             |
| Miscellaneous                                       | 6,821                    |
| <i>Total Operating Cash Receipts</i>                | <i>1,253,091</i>         |
| <b>Operating Cash Disbursements</b>                 |                          |
| Personal Services                                   | 260,149                  |
| Employee Fringe Benefits                            | 94,583                   |
| Contractual Services                                | 299,290                  |
| Supplies and Materials                              | 116,235                  |
| <i>Total Operating Cash Disbursements</i>           | <i>770,257</i>           |
| <i>Operating Income (Loss)</i>                      | <i>482,834</i>           |
| <b>Non-Operating Receipts (Disbursements)</b>       |                          |
| Special Assessments                                 | 7,511                    |
| Earnings on Investments (proprietary funds only)    | 25,630                   |
| Capital Outlay                                      | (122,385)                |
| Principal Retirement                                | (333,006)                |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <i>(422,250)</i>         |
| <i>Income (Loss) before Transfers</i>               | <i>60,584</i>            |
| Transfers In  | 12,000                   |
| Transfers Out                                       | (12,000)                 |
| <i>Net Change in Fund Cash Balances</i>             | <i>60,584</i>            |
| <i>Fund Cash Balances, January 1</i>                | <i>2,388,715</i>         |
| <i>Fund Cash Balances, December 31</i>              | <i>\$ 2,449,299</i>      |

*See accompanying notes to the basic financial statements*



**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**NOTE 1 - REPORTING ENTITY**

The Village of Garrettsville, Portage County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

***Public Entity Risk Pool***

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds 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. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported 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.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Construction, Maintenance and Repair Fund*** The street construction, maintenance and repair fund accounts for and reports motor vehicle license tax, gasoline tax and income tax monies restricted for construction, maintenance, and repair of streets within the Village.

***Debt Service Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Boardwalk Special Assessment Fund*** The boardwalk special assessment fund accounts for and reports receipt of special assessments from certain property owners for the repayment of bonds issued to build a boardwalk.

***Capital Project Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

***Construction Fund*** The construction fund accounts for and reports receipt of income tax restricted for capital projects.

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

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

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

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 approve estimated resources.

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assigned* Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all

fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the appropriated budget.

*Unassigned* Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|-----------------|
| General          | \$ 1,624,909             | \$ 1,409,692           | \$ (215,217)    |
| Special Revenue  | 358,067                  | 380,786                | 22,719          |
| Debt Service     | -                        | 25,766                 | 25,766          |
| Capital Projects | 11,000                   | 11,887                 | 887             |
| Enterprise       | 1,219,680                | 1,298,232              | 78,552          |

2016 Budgeted vs. Actual Budgetary Basis Disbursements

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Disbursements</u> | <u>Variance</u> |
|------------------|--------------------------------|--------------------------------|-----------------|
| General          | \$ 1,737,252                   | \$ 1,325,801                   | \$ 411,451      |
| Special Revenue  | 591,325                        | 474,343                        | 116,982         |
| Debt Service     | -                              | 3,555                          | (3,555)         |
| Capital Projects | 20,000                         | 2,000                          | 18,000          |
| Enterprise       | 1,516,109                      | 1,237,648                      | 278,461         |

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

---

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

|                 |              |
|-----------------|--------------|
|                 | 2016         |
|                 | <hr/>        |
| Demand deposits | \$ 3,233,127 |

***Deposits***

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

**NOTE 5 – TAXES**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a municipal income tax of 1.75% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**NOTE 6 - RISK MANAGEMENT**

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

The Village did not have any losses that exceeded insurance coverage in any of the past three years.

***Risk Pool Membership***

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2016, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2016.

|                     |                   |
|---------------------|-------------------|
| Assets              | \$ 1,272,799      |
| Liabilities         | <u>(821,016)</u>  |
| Accumulated Surplus | \$ <u>451,783</u> |

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

***Ohio Public Employees Retirement System***

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.

**NOTE 9 – DEBT**

Debt outstanding at December 31, 2016 was as follows:

|                  | <u>Principal</u>    | <u>Interest Rate</u> |
|------------------|---------------------|----------------------|
| OWDA Loan #5752  | \$ 4,170,473        | 0.00%                |
| OPWC Loan #CG60M | 7,377               | 0.00%                |
| OPWC Loan #CG25L | <u>192,500</u>      | 0.00%                |
| Total            | <u>\$ 4,370,350</u> |                      |

In 2009, the Village completed the Forest and Elm Street main water line replacement project. The total project cost was \$244,091. \$219,501 of the funding was a grant and the remaining \$24,590 was a loan with a term of ten years at 0% interest.

In 2012, the Village obtained an OPWC loan totaling \$350,000 to complete the Sanitary Expansion project. The Village plans to repay the loan from user charges. The loan matures July 1, 2022.

In 2012, the Village obtained financing from Ohio Water Development Authority (OWDA) for the completion of the Waste Water Treatment Plant Expansion Phase I. The Village plans to repay this loan from user charges. The loan matures January 1, 2032. No amortization schedule is currently available for this loan.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

---

**NOTE 9 – DEBT (Continued)**

*Amortization*

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

| Year ending  |                  |
|--------------|------------------|
| December 31: | OPWC Loans       |
| 2017         | \$18,729         |
| 2018         | 37,459           |
| 2019         | 37,459           |
| 2020         | 36,230           |
| 2021         | 35,000           |
| 2022-2026    | 35,000           |
| Total        | <u>\$199,877</u> |

**NOTE 10 – CONTINGENT LIABILITIES**

The Village may be defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

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



**Village of Garrettsville**  
*Portage County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2015*

|   | General           | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|-------------------|--------------------|-----------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                   |                    |                 |                     |                                |
| Property and Other Local Taxes                        | \$ 114,185        | \$ -               | \$ -            | \$ -                | \$ 114,185                     |
| Municipal Income Tax                                  | 948,336           | 240,085            | -               | 12,005              | 1,200,426                      |
| Intergovernmental                                     | 85,869            | 111,908            | -               | -                   | 197,777                        |
| Charges for Services                                  | 97,747            | 16,880             | -               | -                   | 114,627                        |
| Fines, Licenses and Permits                           | 44,871            | 4,413              | -               | -                   | 49,284                         |
| Earnings on Investments                               | 6,787             | 1,315              | -               | -                   | 8,102                          |
| Miscellaneous   | 24,828            | 4,291              | -               | -                   | 29,119                         |
| <i>Total Cash Receipts</i>                            | <u>1,322,623</u>  | <u>378,892</u>     | <u>-</u>        | <u>12,005</u>       | <u>1,713,520</u>               |
| <b>Cash Disbursements</b>                             |                   |                    |                 |                     |                                |
| Current:  |                   |                    |                 |                     |                                |
| Security of Persons and Property                      | 793,279           | 1,835              | -               | -                   | 795,114                        |
| Public Health Services                                | -                 | 11,280             | -               | -                   | 11,280                         |
| Leisure Time Activities                               | 73,280            | -                  | -               | -                   | 73,280                         |
| Community Environment                                 | 12,264            | 8                  | -               | -                   | 12,272                         |
| Basic Utility Services                                | 919               | -                  | -               | -                   | 919                            |
| Transportation  | -                 | 322,613            | -               | -                   | 322,613                        |
| General Government                                    | 343,440           | -                  | -               | 26,800              | 370,240                        |
| Capital Outlay  | 15,950            | 18,631             | -               | -                   | 34,581                         |
| Debt Service:   |                   |                    |                 |                     |                                |
| Interest and Fiscal Charges                           | 11,547            | -                  | -               | -                   | 11,547                         |
| <i>Total Cash Disbursements</i>                       | <u>1,250,679</u>  | <u>354,367</u>     | <u>-</u>        | <u>26,800</u>       | <u>1,631,846</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>71,944</u>     | <u>24,525</u>      | <u>-</u>        | <u>(14,795)</u>     | <u>81,674</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>       |                   |                    |                 |                     |                                |
| Sale of Capital Assets                                | 3,680             | 18,120             | -               | -                   | 21,800                         |
| Transfers In  | -                 | 88,739             | -               | -                   | 88,739                         |
| Transfers Out   | -                 | (88,739)           | -               | -                   | (88,739)                       |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>3,680</u>      | <u>18,120</u>      | <u>-</u>        | <u>-</u>            | <u>21,800</u>                  |
| <i>Net Change in Fund Cash Balances</i>               | 75,624            | 42,645             | -               | (14,795)            | 103,474                        |
| <i>Fund Cash Balances, January 1</i>                  | <u>218,296</u>    | <u>401,419</u>     | <u>6,112</u>    | <u>32,095</u>       | <u>657,922</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                   |                    |                 |                     |                                |
| Restricted  | -                 | 444,064            | 6,112           | -                   | 450,176                        |
| Committed   | -                 | -                  | -               | 17,300              | 17,300                         |
| Assigned  | 112,343           | -                  | -               | -                   | 112,343                        |
| Unassigned (Deficit)                                  | 181,577           | -                  | -               | -                   | 181,577                        |
| <i>Fund Cash Balances, December 31</i>                | <u>\$ 293,920</u> | <u>\$ 444,064</u>  | <u>\$ 6,112</u> | <u>\$ 17,300</u>    | <u>\$ 761,396</u>              |

See accompanying notes to the basic financial statements

**Village of Garrettsville**  
*Portage County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**Proprietary Fund Type**  
*For the Year Ended December 31, 2015*

|   | Proprietary<br>Fund Type |
|---|--------------------------|
|   | Enterprise               |
| <b>Operating Cash Receipts</b>                      |                          |
| Charges for Services                                | \$ 1,237,520             |
| Miscellaneous                                       | 5,525                    |
| <i>Total Operating Cash Receipts</i>                | 1,243,045                |
| <b>Operating Cash Disbursements</b>                 |                          |
| Personal Services                                   | 312,174                  |
| Contractual Services                                | 321,514                  |
| Supplies and Materials                              | 53,641                   |
| Other   | 751                      |
| <i>Total Operating Cash Disbursements</i>           | 688,080                  |
| <i>Operating Income (Loss)</i>                      | 554,965                  |
| <b>Non-Operating Receipts (Disbursements)</b>       |                          |
| Intergovernmental                                   | 261,100                  |
| Special Assessments                                 | 8,368                    |
| Miscellaneous Receipts                              | 21,878                   |
| Capital Outlay                                      | (678,642)                |
| Principal Retirement                                | (335,506)                |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (722,802)                |
| <i>Income (Loss) before Transfers</i>               | (167,837)                |
| Transfers In  | 12,000                   |
| Transfers Out                                       | (12,000)                 |
| <i>Net Change in Fund Cash Balances</i>             | (167,837)                |
| <i>Fund Cash Balances, January 1</i>                | 2,556,552                |
| <i>Fund Cash Balances, December 31</i>              | \$ 2,388,715             |

*See accompanying notes to the basic financial statements*

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**NOTE 1 - REPORTING ENTITY**

The Village of Garrettsville, Portage County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

***Public Entity Risk Pool***

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds 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. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported 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.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Construction, Maintenance and Repair Fund*** The street construction, maintenance and repair fund accounts for and reports motor vehicle license tax, gasoline tax and income tax monies restricted for construction, maintenance, and repair of streets within the Village.

***Debt Service Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Boardwalk Special Assessment Fund*** The boardwalk special assessment fund accounts for and reports receipt of special assessments from certain property owners for the repayment of bonds issued to build a boardwalk.

***Capital Project Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

***Construction Fund*** The construction fund accounts for and reports receipt of income tax restricted for capital projects.

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

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

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

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 approve estimated resources.

A summary of 2015 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Unassigned* Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2015 follows:

| 2015 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$1,379,078          | \$1,326,303        | \$ (52,775) |
| Special Revenue                   | 357,860              | 485,751            | 127,891     |
| Debt Service                      | -                    | -                  | -           |
| Capital Projects                  | 11,962               | 12,005             | 43          |
| Enterprise                        | 1,483,644            | 1,546,391          | 62,747      |

| 2015 Budgeted vs. Actual Budgetary Basis Disbursements |                            |                            |            |
|--|----------------------------|----------------------------|------------|
| Fund Type  | Appropriation<br>Authority | Budgetary<br>Disbursements | Variance   |
| General  | \$1,454,311                | \$1,250,679                | \$ 203,632 |
| Special Revenue  | 581,592                    | 443,106                    | 138,486    |
| Debt Service   | -                          | -                          | -          |
| Capital Projects                                       | 30,000                     | 26,800                     | 3,200      |
| Enterprise   | 2,087,009                  | 1,714,228                  | 372,781    |

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

|                 |                            |
|-----------------|----------------------------|
| Demand Deposits | <u>2015</u><br>\$3,150,111 |
|-----------------|----------------------------|

***Deposits***

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**NOTE 5 – TAXES**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a municipal income tax of 1.75% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**NOTE 6 - RISK MANAGEMENT**

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

The Village did not have any losses that exceeded insurance coverage in any of the past three years.

***Risk Pool Membership***

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The pool pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2015, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**NOTE 6 - RISK MANAGEMENT (Continued)**

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2015.

|                     |                    |
|---------------------|--------------------|
| Assets              | \$ 1,339,719       |
| Liabilities         | <u>(1,051,927)</u> |
| Accumulated Surplus | \$ <u>287,792</u>  |

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

***Ohio Public Employees Retirement System***

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1 to June 30, 2015, OP&F participants contributed 11.50% of their wages. From July 1 to December 31, 2015, OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.



**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 9 – DEBT**

Debt outstanding at December 31, 2015 was as follows:

|                  | Principal    | Interest Rate |
|------------------|--------------|---------------|
| OWDA Loan #5752  | \$ 4,463,520 | 0.00%         |
| OPWC Loan #CG60M | 9,836        | 0.00%         |
| OPWC Loan #CG25L | 227,500      | 0.00%         |
| Total            | \$ 4,700,856 |               |

In 2009, the Village completed the Forest and Elm Street main water line replacement project. The total project cost was \$244,091. \$219,501 of the funding was a grant and the remaining \$24,590 was a loan with a term of ten years at 0% interest.

In 2012, the Village obtained an OPWC loan totaling \$350,000 to complete the Sanitary Expansion project. The Village plans to repay the loan from user charges. The loan matures July 1, 2022.

In 2012, the Village obtained financing from Ohio Water Development Authority (OWDA) for the completion of the Waste Water Treatment Plant Expansion Phase I. The Village plans to repay this loan from user charges. The loan matures January 1, 2032. No amortization schedule is currently available for this loan.

***Amortization***

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

| Year ending<br>December 31: | OPWC<br>Loans |
|-----------------------------|---------------|
| 2016                        | \$ 36,230     |
| 2017                        | 37,459        |
| 2018                        | 37,459        |
| 2019                        | 37,459        |
| 2020                        | 36,230        |
| 2021-2025                   | 52,499        |
| Total                       | \$ 237,336    |

**NOTE 10 – CONTINGENT LIABILITIES**

The Village may be defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

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

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Dave Yost • Auditor of State

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

Village of Garrettsville  
Portage County  
8213 High Street  
Garrettsville, Ohio 44231

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Garrettsville, Portage County, (the Village) as of and for the year ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated October 31, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 31, 2017

VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

1. Budgetary Footnote Disclosures & Posting Budgetary Amendments

|                       |          |
|-----------------------|----------|
| <i>Finding Number</i> | 2016-001 |
|-----------------------|----------|

MATERIAL WEAKNESS

The budgetary process is one of the most important activities undertaken by the Village. The allocation of resources and Council's decisions regarding programs and services to be provided are based on the Village's budget. Village officials monitor the budget by comparing estimated resources with appropriations, estimated resources with actual receipts and expenditures plus encumbrances with appropriations.

The Village's accounting system in 2015 and 2016 was not updated for the most recent estimated receipts and annual appropriation measures as approved and amended by Village Council.

Failure to properly and timely record budgetary information to the accounting system could result in Village Council making decisions based upon inaccurate financial information.

Additionally, several errors were noted in Note 3 to the financial statements regarding "Budgetary Activity".

The following errors were noted for 2015:

- General Fund and Capital Projects budgeted receipts were reported at \$1,304,078 and \$0 rather than \$1,379,078 and \$11,962, respectively, which agrees to the county certificate of estimated resources.
- General Fund, Special Revenue, Capital Projects and Enterprise actual receipts were reported at \$1,331,599, \$391,716, \$0 and \$1,496,391 rather than \$1,326,303, \$485,751, \$12,005 and \$1,546,391, respectively, which agree with amounts reported in the 2015 financial statements.
- General Fund and Enterprise budgeted expenditures were reported at \$1,391,915 and \$2,004,024 rather than \$1,454,311 and \$2,087,009, respectively, which were the total amount of appropriations approved by Council.
- General Fund, Special Revenue, and Enterprise actual expenditures were reported at \$1,166,888, \$335,701 and \$1,758,235 rather than \$1,250,679, \$443,106 and \$1,714,228, respectively, which agree to the 2015 financial statement disbursements.

The following errors were noted for 2016:

- Special Revenue actual receipts were reported at \$379,885 rather than \$380,786, which agree with amounts reported in the 2016 financial statements.
- Special Revenue actual expenditures were reported at \$341,243 rather than \$474,343, which agree to the 2016 financial statement disbursements.

**Finding Number - 2016-001  
 (Continued)**

Budgetary information disclosed in the notes to the financial statements should reflect the Village's actual budgetary activity through the fiscal year. The errors were caused by a lack of management procedures or policies in place to help ensure the accurate presentation of note disclosure information.

The Village's budgetary information in Note 3 has been corrected for the above errors. The Fiscal Officer should record annual budgetary appropriations and estimated resources and any budgetary amendments at amounts approved by Village Council in a timely manner to the accounting system. The presentation of up-to-date and accurate budgetary information will assist Council in their decision making process.

Additionally, management should implement procedures or policies to help ensure complete and accurate reporting of the financial statements and accompanying notes. The procedures would include the Fiscal Officer's, or an appointed representative's, review of the Village's year-end financial statements and notes to the financial statements for accuracy, reasonableness and consistency between years.

Official's Response: We will monitor budgetary information to ensure it is accurately posted and reported in the future.

**2. Financial Statement Errors**

|                       |          |
|-----------------------|----------|
| <i>Finding Number</i> | 2016-002 |
|-----------------------|----------|

MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

We noted the following errors on the Village's 2016 and 2015 financial statements:

- In 2016 an allowable transfer of \$133,100 was made from the Economic Development Revolving Loan Fund (EDRLF) to the General Fund because the EDRLF fund was no longer necessary. The transfer was recorded as an intergovernmental receipt of \$133,100 in the General Fund. This resulted in an understatement of transfers in and an overstatement of intergovernmental revenue in General Fund.
- The 2016 financial statements did not include the Economic Development Revolving Loan Fund (EDRLF) activity. This resulted in an understatement of the EDRLF opening cash fund balance, transfers out, and earnings on investment of \$132,199, \$133,100 and \$901 respectively.
- In 2016 the Village inappropriately classified foundation receipts of \$5,740 as miscellaneous receipts. These receipts were payments for services related to the pouring of cemetery foundations and they should have been included as charges for services revenue. This resulted in an understatement of charges for service receipts and an overstatement of miscellaneous receipts in the special revenue funds.

**Finding Number - 2016-002  
(Continued)**

- In 2016 the Village inappropriately recorded four franchise fee receipts in the General Fund. These four receipts totaling \$30,977 were recorded as charges for services receipts, but they should have been recorded as fines, licenses and permits receipts. This resulted in an overstatement of charges for services receipts and an understatement of licenses and permits receipts in the General Fund.
- In 2016 the Village understated beginning fund balance in the Proprietary funds by \$7,510.
- In 2015 the Village reported a \$261,100 on-behalf payment from OPWC as special assessment revenue instead of intergovernmental revenue. This resulted in a \$261,100 overstatement of special assessment revenue and understatement of intergovernmental revenue in the special revenue funds.
- In 2015 the Village inappropriately classified water and sewer tap in fees of \$51,846 as fines, licenses and permits revenue on their financial statements. These fees should have been classified as charges for services revenue on the 2015 financial statements. This resulted in an understatement of charges for service receipts and an overstatement of fines licenses and permits receipts in the proprietary funds.
- In 2015 the Village inappropriately recorded four franchise fee receipts in the General Fund. Three of the receipts totaling \$22,892 were recorded as charges for services receipts, and one receipt for \$7,471 was recorded as a miscellaneous receipt. These receipts should have been recorded as fines, licenses and permits receipts. These errors resulted in overstatements to charges for services receipts and miscellaneous receipts, and a \$30,363 understatement of fines, licenses and permits receipts in the General Fund.
- In 2015 and the Village's 2016 Estimated General fund appropriations exceeded estimated resources by \$112,343. The District failed to report this as an "assignment" of fund balances, resulting in understatements of "assigned" fund balance and overstatements of "unassigned" fund balance in the 2015 financial statements.
- In 2015 the Village's Special Revenue, Debt Service, and Capital Projects funds reported "unassigned" fund balances of \$444,064, \$6,112 and \$17,300 respectively. However, the monies in these funds have external restrictions and should have reported their respective fund balances as restricted, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54. This resulted in understatements of "restricted" fund balance and over statements of "unassigned" fund balance in the Special Revenue and Debt Service funds.
- In Village's Capital Projects funds reported "unassigned" fund balance of \$17,300 in 2015 and "restricted" fund balance of \$27,187 in 2016. However, the monies in these funds did not have external restrictions; they were committed by Council via ordinance, and should have been recorded as "committed" fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54. This resulted in an understatement of "committed" fund balance and an overstatement of "unassigned" fund balance in the Capital Projects funds in 2015 and an understatement of "committed" fund balance and an overstatement of "restricted" fund balance in the Capital Projects funds in 2016.

**Finding Number - 2016-002  
(Continued)**

The Village has not implemented controls over the preparation of their financial statements which would assist in the detection and prevention of financial statement reporting errors.

The financial statements have been adjusted to reflect the reclassification and adjustment of the above errors.

To help ensure proper financial reporting the Village should:

- Utilize the Ohio Village Officer's Handbook to determine the proper accounts to which receipts and expenditures should be recorded.
- Report fund balance classifications in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

Additionally, the Fiscal Officer, or an appointed representative, should review the Village's year-end financial statements for accuracy, reasonableness and consistency between years.

Official's Response: We will monitor financial statement information to ensure it is accurately reported in the future.





# Dave Yost • Auditor of State

VILLAGE OF GARRETTSVILLE

PORTAGE 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  
DECEMBER 28, 2017