

***VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Garrettsville
8213 High Street
P.O. Box 266
Garrettsville, Ohio 44231

We have reviewed the *Report of Independent Accountants* of the Village of Garrettsville, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Garrettsville is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

May 28, 2009

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**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2008 and 2007**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Garrettsville (Village), Portage County, Ohio as and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2008 and 2007. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Garrettsville, Portage County as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
April 27, 2009

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2008**

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Local Taxes	\$ 136,154	-	\$ 19,281	-	\$ 155,435
Municipal Income Taxes	781,429	\$ 197,830	-	\$ 9,892	989,151
Intergovernmental	220,171	119,738	-	-	339,909
Charges for Services	47,090	12,931	-	-	60,021
Fines, Licenses and Permits	56,032	22,122	-	-	78,154
Earnings on Investments	9,249	1,964	-	-	11,213
Miscellaneous	26,614	-	-	-	26,614
Total Receipts	1,276,739	354,585	19,281	9,892	1,660,497
Disbursements:					
Current:					
Security of Persons & Property	763,224	225	-	-	763,449
Public Health Services	-	2,202	-	-	2,202
Leisure Time Activities	61,138	-	-	-	61,138
Community Environment	12,487	75	-	-	12,562
Transportation	10,009	256,826	-	-	266,835
General Government	290,686	-	-	-	290,686
Capital Outlay	57,833	60,337	-	9,127	127,297
Debt Service:					
Redemption of Principal	-	-	17,000	-	17,000
Interest and Fiscal Charges	-	-	7,632	-	7,632
Total Disbursements	1,195,377	319,665	24,632	9,127	1,548,801
Total Receipts Over/(Under)					
Disbursements	81,362	34,920	(5,351)	765	111,696
Other Financing Sources/(Uses):					
Transfers-In	17,917	-	3,613	-	21,530
Transfers-Out	(3,613)	-	-	-	(3,613)
Sale of Fixed Assets	200	-	-	-	200
Other Financing Uses	(12,892)	-	-	-	(12,892)
Total Other Financing Sources/(Uses)	1,612	-	3,613	-	5,225
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	82,974	34,920	(1,738)	765	116,921
Fund Cash Balance, January 1, 2008	353,870	357,395	1,738	42,480	755,483
Fund Cash Balance, December 31, 2008	\$ 436,844	\$ 392,315	\$ -	\$ 43,245	\$ 872,404
Encumbrances, December 31, 2008	\$ 8,609	\$ 400	\$ -	\$ -	\$ 9,009

See Accompanying Notes to the Financial Statements.

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2007**

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Local Taxes	\$ 144,639	-	\$ 22,347	-	\$ 166,986
Municipal Income Taxes	771,900	\$ 195,419	-	\$ 9,771	977,090
Intergovernmental	149,807	120,644	-	-	270,451
Charges for Services	49,325	9,718	-	-	59,043
Fines, Licenses and Permits	36,225	1,076	-	-	37,301
Earnings on Investments	22,187	809	-	-	22,996
Miscellaneous	65,754	500	-	-	66,254
Total Receipts	1,239,837	328,166	22,347	9,771	1,600,121
Disbursements:					
Current:					
Security of Persons & Property	713,065	325	-	-	713,390
Public Health Services	-	3,223	-	-	3,223
Leisure Time Activities	59,858	-	-	-	59,858
Community Environment	11,196	-	-	-	11,196
Basic Utility Services	2,275	-	-	-	2,275
Transportation	-	250,186	-	-	250,186
General Government	273,734	-	-	-	273,734
Capital Outlay	56,085	36,483	-	-	92,568
Debt Service:					
Redemption of Principal	-	-	15,000	-	15,000
Interest and Fiscal Charges	-	-	8,736	-	8,736
Total Disbursements	1,116,213	290,217	23,736	-	1,430,166
Total Receipts Over/(Under) Disbursements	123,624	37,949	(1,389)	9,771	169,955
Other Financing Sources/(Uses):					
Other Financing Uses	(4,299)	-	-	-	(4,299)
Total Other Financing Sources/(Uses)	(4,299)	-	-	-	(4,299)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	119,325	37,949	(1,389)	9,771	165,656
Fund Cash Balance, January 1, 2007	234,545	319,446	3,127	32,709	589,827
Fund Cash Balance, December 31, 2007	\$ 353,870	\$ 357,395	\$ 1,738	\$ 42,480	\$ 755,483

See Accompanying Notes to the Financial Statements.

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds
For the Year Ended December 31, 2008**

	Proprietary Fund Types
	Enterprise
Receipts:	
Charges for Services	\$ 1,082,552
Fines Licenses and Permits	11,446
Miscellaneous	6,787
Total Receipts	1,100,785
Disbursements:	
Personal Services	320,640
Contractual Services	279,222
Materials and Supplies	44,486
Travel Transportation	615
Total Disbursements	644,963
Excess of Receipts Over (Under) Disbursements	455,822
Nonoperating Receipts (Disbursements):	
Intergovernmental	74,800
Special Assessment	7,886
Debt Proceeds	21,095
Capital Outlay	(182,792)
Debt Service:	
Principal	(200,516)
Interest	(42,451)
Miscellaneous	15,865
Total Nonoperating Receipts (Disbursements)	(306,113)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers	149,709
Transfers in	195,855
Transfers out	(213,772)
Net Receipts Over/(Under) Disbursements	131,792
Fund Balance, January 1, 2008	1,133,410
Fund Balance, December 31, 2008	\$ 1,265,202
Encumbrances, December 31, 2008	\$ 235,381

See Accompanying Notes to the Financial Statements.

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds
For the Year Ended December 31, 2007**

	Proprietary Fund Types
	Enterprise
Receipts:	
Charges for Services	\$ 1,071,328
Fines Licenses and Permits	37,121
Miscellaneous	36,394
Total Receipts	1,144,843
Disbursements:	
Personal Services	302,396
Contractual Services	323,388
Materials and Supplies	46,529
Travel Transportation	137
Total Disbursements	672,450
Excess of Receipts Over (Under) Disbursements	472,393
Nonoperating Receipts (Disbursements):	
Special Assessment	7,778
Capital Outlay	(204,579)
Debt Service:	
Principal	(190,091)
Interest	(54,493)
Miscellaneous	7,454
Total Nonoperating Receipts (Disbursements)	(433,931)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers	38,462
Transfers in	194,972
Transfers out	(194,972)
Net Receipts Over/(Under) Disbursements	38,462
Fund Balance, January 1, 2007	1,094,948
Fund Balance, December 31, 2007	\$ 1,133,410
Encumbrances, December 31, 2007	\$ 364,324

See Accompanying Notes to the Financial Statements.

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Garrettsville, Portage County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

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

The Village values certificates of deposit and repurchase agreements at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Street Construction, Maintenance, and Repair Fund - This fund receives motor vehicle license tax, gasoline tax money and 20% of income tax collection for constructing, maintaining, and repairing Village streets.

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bond debt. The Village had the following debt service fund:

Special Assessment Bond Retirement Fund – This fund accounts for resources from special assessments of certain property owners to pay the principal and interest on bonds issued to build a boardwalk.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project fund:

Construction Fund – This fund receives proceeds from a local income tax to finance improvements to Village buildings.

5. Enterprise Funds

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

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

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 re-appropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2008	2007
Demand Deposits	\$ 2,137,606	\$ 1,888,893
Total Deposits	\$ 2,137,606	\$ 1,888,893

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions' public entity deposit pools.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2008 and 2007 follows:

2008 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,456,560	\$ 1,220,491	\$ 236,069
Special Revenue	556,932	320,065	236,867
Debt Service	24,632	24,632	-
Capital Projects	35,000	9,127	25,873
Enterprise	2,026,059	1,519,875	506,184
Total	\$ 4,099,183	\$ 3,094,190	\$ 1,004,993

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,219,858	\$ 1,294,856	\$ 74,998
Special Revenue	306,756	354,585	47,829
Debt Service	22,894	22,894	-
Capital Projects	9,296	9,892	596
Enterprise	1,484,900	1,416,286	(68,614)
Total	\$ 3,043,704	\$ 3,098,513	\$ 54,809

2007 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,298,497	\$ 1,120,512	\$ 177,985
Special Revenue	444,970	290,217	154,753
Debt Service	24,240	23,736	504
Capital Projects	30,000	-	30,000
Enterprise	2,090,349	1,680,909	409,440
Total	\$ 3,888,056	\$ 3,115,374	\$ 772,682

2007 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,114,689	\$ 1,239,837	\$ 125,148
Special Revenue	296,661	328,166	31,505
Debt Service	21,113	22,347	1,234
Capital Projects	9,235	9,771	536
Enterprise	1,389,457	1,355,047	(34,410)
Total	\$ 2,831,155	\$ 2,955,168	\$ 124,013

4. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2006.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

4. PROPERTY TAXES (Continued)

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

5. LOCAL INCOME TAX

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

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$ 371,074	7.50-8.97%
Special Assessment Bonds	97,000	6.00%
OPWC Loan	40,000	0.00%
OPWC Loan for Issue 1: Sewer	21,095	0.00%
Commercial Bank Loan	94,667	4.95%
Total	\$ 623,836	

The Ohio Water Development Authority (OWDA) Loans relate to a water and sewer construction project. The OWDA has approved up to \$2,396,123 in loans to the Village for this project. The loans will be repaid in semiannual installments over 20 years.

In 2006, the Village received a \$50,000 loan from OPWC to help finance the extension of Liberty Street Sanitary Sewer. The loan will be repaid in semiannual installments of \$2,500 over 10 years.

In 2008, the Village started the Issue 1: Sewer State Project. OPWC financed the project, partly through a grant and partly through a loan. The loan was worth \$21,095 and has a term of five years at 0% interest.

The Special Assessment Bonds relate to financing the cost of improving certain properties in the Village by constructing a boardwalk. The Village's taxing authority collateralizes the Special Assessment Bonds. The Village has agreed to levy property tax assessments to those residents benefiting from the project in an amount sufficient to retire the Bonds.

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

6. DEBT (Continued)

The Commercial Bank Loan relates to the Liberty Street/Garrett House Sanitary Sewer Project. The loan bears an interest rate of 4.95% and will be repaid in monthly installments of \$4,718, including interest, over five years.

Enterprise Fund loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loans	OPWC Loan	OPWC Loan: Issue 1	Special Assessment Bonds	Commercial Bank Loan
2009	\$ 184,806	\$ 5,000	\$ 2,109	\$ 22,820	\$ 56,612
2010	150,195	5,000	4,219	22,800	42,459
2011	114,973	5,000	4,219	23,720	-
2012	32,761	5,000	4,219	22,520	-
2013	-	5,000	4,219	23,320	-
2014 - 2016	-	15,000	2,110	-	-
Total	\$ 482,735	\$ 40,000	\$ 21,095	\$ 115,180	\$ 99,071

7. RETIREMENT SYSTEMS

The Village's law enforcement officers 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. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participants. In 2008 and 2007, OPERS members contributed 10 and 9.5 percent of their wages, respectively. The Village contributed an amount equaling 14 and 13.85 percent of participants' gross salaries, respectively. The Village has paid all contributions required through December 31, 2008.

8. RISK MANAGEMENT

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 Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles. The Pool cedes certain premiums to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2007 and 2006:

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

8. RISK MANAGEMENT (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$ 2,405,834	\$ 2,331,284
Liabilities	<u>2,877,385</u>	<u>3,130,475</u>
Retained earnings/(deficit)	<u>\$ (471,551)</u>	<u>\$ (799,191)</u>

9. CELL TOWER RENT REVENUE

The Village received rent income from Alltel Wireless for the lease of land and operation of a cell tower within Village limits. The rent income amounting to \$20,700 and \$11,400 in 2007 and 2008, respectively, were received under General Fund – Miscellaneous Revenue.

10. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

11. TRANSFERS

The Village transferred \$17,917 from Enterprise Fund – Police Academy to the General Fund. The transfer was approved at the Court of Common Pleas, Portage County with Case #2007 CV 1428.

Also within the Enterprise Fund, the Village transferred \$194,972 and \$195,855 in 2007 and 2008, respectively, from the Water and Sewer Funds to the Water and Sewer Debt Service Funds to pay the water and sewer loans.

The Village transferred \$3,613 from the General Fund to the Debt Service Fund to fund the debt service requirement of the Boardwalk Loan. All these transfers were approved by ordinance.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the financial statements of the Village of Garrettsville, Portage County, Ohio (Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 27, 2009, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2008-VGPC-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2008-VGPC-01.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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

Charles E. Harris & Associates, Inc.

April 27, 2009

VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY

SCHEDULE OF FINDINGS
December 31, 2008 and 2007

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

FINDING NUMBER 2008-VGPC-01: Noncompliance and Significant Deficiency

ORC 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

ORC 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue.

ORC 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2007 and 2008, the total appropriations made from Enterprise Fund – Issue 1 Sewer Project did not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. However, the funding for the project did not come through in 2007. Moreover, in 2008 the amount received for the project was lower than the estimated revenue. As a consequence the available resources were below the level of appropriation. The Village did not obtain a reduced amended certification.

Enterprise Fund: Issue 1 Sewer Project – variance of actual receipts against estimated receipts

2007	\$ (124,800)
2008	\$ (78,905)

We recommend that management regularly monitor estimated receipts against actual receipts and appropriations and make the proper amendments as deemed necessary.

Management response:

The Fiscal Officer agrees and will make the necessary amendments in the future.

**VILLAGE OF GARRETTSVILLE
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008 and 2007**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-VGPC-01	Ohio Admin. Code Section 117-2-02 - Account classification of grants and Fiduciary Trust Fund.	Yes	Finding no longer valid.



Mary Taylor, CPA
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
JUNE 9, 2009