

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009***

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





# Dave Yost • Auditor of State

Village Council  
Village of Garrettsville  
8213 High Street  
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, 2009 through December 31, 2010. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 14, 2011

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**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2010 and 2009**

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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, 2010 and 2009. 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.

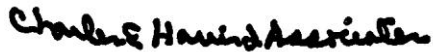
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2010 and 2009. 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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 and 2009. 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 August 16, 2011, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

*Charles E. Harris & Associates, Inc.*  
August 16, 2011



**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, 2010**

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
<b>Receipts:</b>					
Property and Local Taxes	\$ 133,021	-	\$ 20,426	-	\$ 153,447
Municipal Income Taxes	804,215	\$ 203,599	-	\$ 10,180	1,017,994
Intergovernmental	135,478	111,670	-	-	247,148
Charges for Services	48,515	14,306	-	-	62,821
Fines, Licenses and Permits	51,223	11,437	-	-	62,660
Earnings on Investments	8,347	1,302	-	-	9,649
Miscellaneous	33,558	-	-	-	33,558
<b>Total Receipts</b>	<b>1,214,357</b>	<b>342,314</b>	<b>20,426</b>	<b>10,180</b>	<b>1,587,277</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Security of Persons & Property	786,020	15,354	-	-	801,374
Leisure Time Activities	62,293	-	-	-	62,293
Community Environment	12,532	-	-	-	12,532
Transportation	14,409	282,140	-	-	296,549
General Government	357,730	-	-	-	357,730
Capital Outlay	33,940	105,196	-	35,600	174,736
<b>Debt Service:</b>					
Redemption of Principal	-	-	18,000	-	18,000
Interest and Fiscal Charges	-	4	4,800	-	4,804
<b>Total Disbursements</b>	<b>1,266,924</b>	<b>402,694</b>	<b>22,800</b>	<b>35,600</b>	<b>1,728,018</b>
<b>Total Receipts Over/(Under)</b>					
Disbursements	(52,567)	(60,380)	(2,374)	(25,420)	(140,741)
<b>Other Financing Sources/(Uses):</b>					
Transfers-In	-	-	2,374	-	2,374
Transfers-Out	(2,374)	-	-	-	(2,374)
Sale of Fixed Assets	2,405	-	-	-	2,405
Other Financing Uses	-	-	(719)	-	(719)
Income tax refunds	(9,616)	-	-	-	(9,616)
<b>Total Other Financing Sources/(Uses)</b>	<b>(9,585)</b>	<b>-</b>	<b>1,655</b>	<b>-</b>	<b>(7,930)</b>
<b>Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses</b>	<b>(62,152)</b>	<b>(60,380)</b>	<b>(719)</b>	<b>(25,420)</b>	<b>(148,671)</b>
<b>Fund Cash Balance, January 1, 2010</b>	<b>467,725</b>	<b>392,927</b>	<b>2,363</b>	<b>52,960</b>	<b>915,975</b>
<b>Fund Cash Balance, December 31, 2010</b>	<b>\$ 405,573</b>	<b>\$ 332,547</b>	<b>\$ 1,644</b>	<b>\$ 27,540</b>	<b>\$ 767,304</b>
<b>Encumbrances, December 31, 2010</b>	<b>\$ 15,500</b>	<b>\$ 10,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,000</b>

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, 2009**

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
<b>Receipts:</b>					
Property and Local Taxes	\$ 139,276	-	\$ 26,600	-	\$ 165,876
Municipal Income Taxes	767,504	\$ 194,305	-	\$ 9,715	971,524
Intergovernmental	168,893	111,461	-	-	280,354
Charges for Services	46,661	15,370	-	-	62,031
Fines, Licenses and Permits	51,602	5,461	-	-	57,063
Earnings on Investments	8,377	1,342	-	-	9,719
Miscellaneous	21,716	-	-	-	21,716
<b>Total Receipts</b>	<b>1,204,029</b>	<b>327,939</b>	<b>26,600</b>	<b>9,715</b>	<b>1,568,283</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Security of Persons & Property	735,000	25,344	-	-	760,344
Public Health Services	-	6,900	-	-	6,900
Leisure Time Activities	61,125	-	-	-	61,125
Community Environment	-	136	-	-	136
Basic Utility Services	11,918	-	-	-	11,918
Transportation	19,598	261,189	-	-	280,787
General Government	313,093	-	-	-	313,093
Capital Outlay	22,358	33,758	-	-	56,116
<b>Debt Service:</b>					
Redemption of Principal	-	-	17,000	-	17,000
Interest and Fiscal Charges	-	-	5,820	-	5,820
<b>Total Disbursements</b>	<b>1,163,092</b>	<b>327,327</b>	<b>22,820</b>	<b>-</b>	<b>1,513,239</b>
<b>Total Receipts Over/(Under)</b>					
Disbursements	40,937	612	3,780	9,715	55,044
<b>Other Financing Sources/(Uses):</b>					
Sale of Fixed Assets	550	-	-	-	550
Other Financing Uses	-	-	(1,417)	-	(1,417)
Income tax refunds	(10,606)	-	-	-	(10,606)
<b>Total Other Financing Sources/(Uses)</b>	<b>(10,056)</b>	<b>-</b>	<b>(1,417)</b>	<b>-</b>	<b>(11,473)</b>
<b>Excess of Receipts and Other</b>					
Sources Over/(Under) Disbursements and Other Uses	30,881	612	2,363	9,715	43,571
<b>Fund Cash Balance, January 1, 2009</b>	<b>436,844</b>	<b>392,315</b>	<b>-</b>	<b>43,245</b>	<b>872,404</b>
<b>Fund Cash Balance, December 31, 2009</b>	<b>\$ 467,725</b>	<b>\$ 392,927</b>	<b>\$ 2,363</b>	<b>\$ 52,960</b>	<b>\$ 915,975</b>
<b>Encumbrances, December 31, 2009</b>	<b>\$ -</b>	<b>\$ 4,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,600</b>

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, 2010**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Receipts:</b>	
Charges for Services	\$ 1,167,635
Fines, Licenses and Permits	49,053
	1,216,688
<b>Total Receipts</b>	<b>1,216,688</b>
<b>Operating Disbursements:</b>	
Personal Services	332,251
Contractual Services	421,349
Materials and Supplies	29,992
Travel Transportation	636
	784,228
<b>Total Disbursements</b>	<b>784,228</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>432,460</b>
<b>Nonoperating Receipts (Disbursements):</b>	
Special Assessments	8,058
Earnings on Investments	12,892
Miscellaneous	4,797
Capital Outlay	(95,493)
<b>Debt Service:</b>	
Principal	(188,594)
Interest	(15,709)
	(274,049)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>(274,049)</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers</b>	<b>158,411</b>
Transfers in	162,195
Transfers out	(162,195)
	158,411
<b>Net Receipts Over/(Under) Disbursements</b>	<b>158,411</b>
<b>Fund Balance, January 1, 2010</b>	<b>1,366,380</b>
	1,366,380
<b>Fund Balance, December 31, 2010</b>	<b>\$ 1,524,791</b>
	1,524,791
<b>Encumbrances, December 31, 2010</b>	<b>\$ 25,000</b>
	25,000

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, 2009**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Receipts:</b>	
Charges for Services	\$ 1,101,654
Miscellaneous	365
	1,102,019
<b>Total Receipts</b>	<b>1,102,019</b>
<b>Operating Disbursements:</b>	
Personal Services	317,068
Contractual Services	278,589
Materials and Supplies	33,387
Travel Transportation	812
	629,856
<b>Total Disbursements</b>	<b>629,856</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>472,163</b>
<b>Nonoperating Receipts (Disbursements):</b>	
Intergovernmental	219,501
Special Assessments	7,748
Debt Proceeds	24,590
Earnings on investments	13,900
Capital Outlay	(383,586)
Debt Service:	
Principal	(223,627)
Interest	(29,511)
	(370,985)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>(370,985)</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers</b>	<b>101,178</b>
Transfers in	196,806
Transfers out	(196,806)
	101,178
<b>Net Receipts Over/(Under) Disbursements</b>	<b>101,178</b>
<b>Fund Balance, January 1, 2009</b>	<b>1,265,202</b>
	1,265,202
<b>Fund Balance, December 31, 2009</b>	<b>\$ 1,366,380</b>
	1,366,380
<b>Encumbrances, December 31, 2009</b>	<b>\$ 236,242</b>
	236,242

See Accompanying Notes to the Financial Statements.

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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, 2010 AND 2009**

**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, 2010 AND 2009**

**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 2010 and 2009 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:

	<b>2010</b>	<b>2009</b>
<b>Demand Deposits</b>	\$ 2,292,095	\$ 2,282,355
<b>Total Deposits</b>	\$ 2,292,095	\$ 2,282,355

**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 2010 and 2009 follows:

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,401,107	\$ 1,294,414	\$ 106,693
Special Revenue	586,000	413,194	172,806
Debt Service	24,800	23,519	1,281
Capital Projects	55,000	35,600	19,400
Enterprise	2,054,321	1,271,219	783,102

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**3. BUDGETARY ACTIVITY (Continued)**

2010 Budgeted vs. Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,126,836	\$ 1,216,762	\$ 89,926
Special Revenue	299,805	342,314	42,509
Debt Service	22,800	22,800	-
Capital Projects	7,500	10,180	2,680
Enterprise	1,279,589	1,404,630	125,041

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,435,211	\$ 1,173,698	\$ 261,518
Special Revenue	649,069	331,927	317,142
Debt Service	24,820	24,237	583
Capital Projects	40,000	-	40,000
Enterprise	2,240,210	1,699,628	540,582

2009 Budgeted vs. Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,328,138	\$ 1,204,579	\$ (123,559)
Special Revenue	296,946	327,939	30,993
Debt Service	24,820	26,600	1,780
Capital Projects	9,291	9,715	424
Enterprise	1,575,810	1,564,564	(11,246)

**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.

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.



**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**4. PROPERTY TAXES (Continued)**

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. Tangible personal property taxes were phased out through 2009.

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 1.75% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside 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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 76,917	7.50-8.97%
Special Assessment Bonds	62,000	6.00%
OPWC Loan	27,500	0.00%
OPWC Loan for Issue 1: Sewer	12,657	0.00%
OPWC – Forest/Elm Street: Water	22,131	0.00%
	<u>\$ 201,205</u>	

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.

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

In 2009, the Village obtained a \$244,091 funding from OPWC for the Forest and Elm Street main water line replacement project. \$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.

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.

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.

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loans	OPWC Loan	OPWC – Issue 1	OPWC - Water	Special Assessment Bonds
2011	\$ 82,291	\$ 5,000	\$ 4,219	\$ 2,459	\$ 23,720
2012		5,000	4,219	2,459	22,520
2013		5,000	4,219	2,459	23,320
2014		5,000		2,459	
2015-2019		7,000		12,295	
Total	\$ <u>82,291</u>	\$ <u>27,500</u>	\$ <u>12,657</u>	\$ <u>22,131</u>	\$ <u>69,560</u>

**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 2010 and 2009, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participants. In 2010 and 2009, OPERS members contributed 10 percent of their wages. The Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**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 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 December 31, 2009, retention levels are \$100,000 and \$150,000 for property and casualty coverage, 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 retained deficit at December 31, 2009 and 2008 (the latest information available):

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**8. RISK MANAGEMENT (Continued)**

	<u>2009</u>	<u>2008</u>
Assets	\$2,109,514	\$ 2,552,519
Liabilities	<u>(1,920,839)</u>	<u>(2,814,306)</u>
Accumulated net assets/(deficit)	<u>\$ 188,675</u>	<u>(\$261,787)</u>

**9. CELL TOWER RENT REVENUE**

The Village received rent income from Verizon Wireless and Time Warner Cable for the lease of land and operation of a cell tower within Village limits. These have been classified as licenses and fees revenues.

**10. CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

**11. TRANSFERS**

Within the Enterprise Fund, the Village transferred \$199,806 and \$162,195 in 2009 and 2010, 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 \$2,374 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 and complied with all Ohio Revised Code requirements.

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Garrettsville, Portage County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 16, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

*A 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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

*Charles Harris Associates*

***Charles E. Harris and Associates, Inc.***

August 16, 2011

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2010 and 2009**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
<b>2008-VGPC-01</b>	<b>ORC Section 5705.36(A) - Amending certificates of estimated resources.</b>	<b>Yes</b>	<b>Finding no longer valid.</b>



# 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  
NOVEMBER 10, 2011