



Dave Yost • Auditor of State

VILLAGE OF HARTVILLE
STARK COUNTY

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Dave Yost • Auditor of State

Village of Hartville
Stark County
P.O. Box 760
Hartville, Ohio 44632-0760

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

July 20, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hartville
Stark County
P.O. Box 760
Hartville, Ohio 44632-0760

To the Village Council:

We have audited the accompanying financial statements of the Village of Hartville, Stark County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Village to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011, and 2010 or its changes in financial position 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 of the Village of Hartville, Stark County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Village of Hartville adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012, 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. 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 the 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.

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

Dave Yost
Auditor of State

July 20, 2012

**VILLAGE OF HARTVILLE
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$131,297	\$316,864	\$0	\$0	\$448,161
Municipal Income Tax	936,708	0	0	0	936,708
Intergovernmental	127,556	218,540	0	0	346,096
Charges for Services	3,148	0	0	0	3,148
Fines, Licenses and Permits	76,993	0	0	23,566	100,559
Earnings on Investments	204	15	0	0	219
Miscellaneous	11,546	0	0	52,715	64,261
Total Cash Receipts	1,287,452	535,419	0	76,281	1,899,152
Cash Disbursements:					
Current:					
Security of Persons and Property	582,985	361,841	0	0	944,826
Public Health Services	19,430	0	0	0	19,430
Leisure Time Activities	13,855	0	0	0	13,855
Community Environment	2,445	0	0	0	2,445
Transportation	32,081	317,266	0	0	349,347
General Government	252,034	0	0	15,767	267,801
Capital Outlay	45,881	106,152	0	34,151	186,184
Total Cash Disbursements	948,711	785,259	0	49,918	1,783,888
Total Receipts Over/(Under) Disbursements	338,741	(249,840)	0	26,363	115,264
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	5,669	0	0	0	5,669
Transfers-In	150,000	130,000	0	0	280,000
Transfers-Out	(130,000)	0	0	(150,000)	(280,000)
Advances-In	20,000	90,014	0	0	110,014
Advances-Out	(90,014)	(20,000)	0	0	(110,014)
Other Financing Uses	(8,457)	0	0	0	(8,457)
Total Other Financing Receipts / (Disbursements)	(52,802)	200,014	0	(150,000)	(2,788)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	285,939	(49,826)	0	(123,637)	112,476
Fund Cash Balances, January 1, 2011 (Restated See Note 2)	250,202	114,696	49,056	431,581	845,535
Restricted	0	64,870	49,056	0	113,926
Committed	23,000	0	0	307,944	330,944
Assigned	50,243	0	0	0	50,243
Unassigned	462,898	0	0	0	462,898
Fund Cash Balances, December 31, 2011	\$536,141	\$64,870	\$49,056	\$307,944	\$958,011

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

**VILLAGE OF HARTVILLE
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$813,962	\$0	\$813,962
Fines, Licenses and Permits	12,050	0	12,050
Special Assessments	91,451	0	91,451
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	917,463	0	917,463
Operating Cash Disbursements:			
Personal Services	199,709	0	199,709
Contractual Services	258,223	0	258,223
Supplies and Materials	34,545	0	34,545
Capital Outlay	227,667	0	227,667
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	720,144	0	720,144
Operating Income	<hr/>	<hr/>	<hr/>
	197,319	0	197,319
Non-Operating Cash Receipts/(Disbursements):			
Intergovernmental Receipts	150,620	0	150,620
Sale of Notes	104,990	0	104,990
Redemption of Principal	(391,386)	0	(391,386)
Interest and Other Fiscal Charges	(22,248)	0	(22,248)
Other Financing Sources	0	74,070	74,070
Other Financing Uses	0	(70,456)	(70,456)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts/(Disbursements)	(158,024)	3,614	(154,410)
Net Receipts Over Disbursements	39,295	3,614	42,909
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	462,841	3,778	466,619
Fund Cash Balances, December 31	<hr/> \$502,136 <hr/>	<hr/> \$7,392 <hr/>	<hr/> \$509,528 <hr/>

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

VILLAGE OF HARTVILLE
STARK COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$143,430	\$339,536	\$0	\$0	\$482,966
Municipal Income Tax	0	844,279	0	0	844,279
Intergovernmental Revenue	225,870	179,990	0	0	405,860
Charges for Services	4,856	0	0	0	4,856
Fines, Licenses and Permits	34,833	0	0	23,547	58,380
Earnings on Investments	482	0	0	0	482
Miscellaneous	60,903	0	0	10,271	71,174
Total Cash Receipts	470,374	1,363,805	0	33,818	1,867,997
Cash Disbursements:					
Current:					
Security of Persons and Property	529,904	379,913	0	0	909,817
Public Health Services	19,344	0	0	0	19,344
Leisure Time Activities	4,489	0	0	0	4,489
Community Environment	2,689	0	0	0	2,689
Transportation	158,266	163,431	0	0	321,697
General Government	307,109	33,593	0	27,504	368,206
Capital Outlay	0	0	0	67,779	67,779
Total Cash Disbursements	1,021,801	576,937	0	95,283	1,694,021
Total Receipts Over/(Under) Disbursements	(551,427)	786,868	0	(61,465)	173,976
Other Financing Receipts / (Disbursements):					
Transfers-In	1,345,000	147,500	0	0	1,492,500
Transfers-Out	(147,500)	(595,000)	0	(750,000)	(1,492,500)
Other Financing Uses	0	(15,610)	0	0	(15,610)
Total Other Financing Receipts / (Disbursements)	1,197,500	(463,110)	0	(750,000)	(15,610)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	646,073	323,758	0	(811,465)	158,366
Fund Cash Balances (Deficits), January 1	(424,337)	(180,596)	49,056	1,243,046	687,169
Fund Cash Balances, December 31	\$221,736	\$143,162	\$49,056	\$431,581	\$845,535

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

**VILLAGE OF HARTVILLE
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$788,697	\$0	\$788,697
Fines, Licenses and Permits	19,660	0	19,660
Special Assessments	107,117	0	107,117
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	915,474	0	915,474
Operating Cash Disbursements:			
Personal Services	209,831	0	209,831
Transportation	1,299	0	1,299
Contractual Services	102,457	0	102,457
Supplies and Materials	90,638	0	90,638
Capital Outlay	342,600	0	342,600
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	746,825	0	746,825
Operating Income	<hr/>	<hr/>	<hr/>
	168,649	0	168,649
Non-Operating Cash Receipts/Disbursements:			
Sale of Notes	383,420	0	383,420
Redemption of Principal	(336,762)		(336,762)
Interest and Other Fiscal Charges	(24,943)		(24,943)
Other Financing Sources	0	38,670	38,670
Other Financing Uses	0	(35,978)	(35,978)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts/(Disbursements)	21,715	2,692	24,407
Net Income	190,364	2,692	193,056
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	272,477	1,086	273,563
Fund Cash Balances, December 31	<hr/> \$462,841 <hr/>	<hr/> \$3,778 <hr/>	<hr/> \$466,619 <hr/>

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

VILLAGE OF HARTVILLE
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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 Hartville, Stark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 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. 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

VILLAGE OF HARTVILLE
STARK COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

State Highway Improvement Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing State Highways within the Villages boundaries.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had one Debt Service Fund to account for special assessment collections to pay debt service from sewer project.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had one capital project fund the Capital Improvement Fund.

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 Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs and capital improvements.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village's only fiduciary fund was an Agency Fund.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the fines and fees collected and costs of the Village's Mayors Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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.

VILLAGE OF HARTVILLE
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2011 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

1. Nonspendable

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

2. 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.

3. Committed

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

4. 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.

5. Unassigned

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

VILLAGE OF HARTVILLE
STARK COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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.

G. 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.

H. 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. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at December 31, 2010
General	\$221,736	\$28,466	\$250,202
Special Revenue	\$143,162	(\$28,466)	\$114,696

3. Equity in Pooled 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 and investments at December 31 was as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$1,054,494	\$899,329
STAR Ohio	<u>413,045</u>	<u>412,825</u>
Total deposits and investments	<u>\$1,467,539</u>	<u>\$1,312,154</u>

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

Investments: Investments in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF HARTVILLE
STARK COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

4. Budgetary Activity

Budgetary activity for the year ending 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,308,334	\$1,463,121	\$154,787
Special Revenue	1,548,836	755,433	(793,403)
Debt Service	0	0	0
Capital Projects	34,200	76,281	42,081
Enterprise	1,488,134	1,173,073	(315,061)
Total	<u>\$4,379,504</u>	<u>\$3,467,908</u>	<u>(\$911,596)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,362,395	\$1,227,425	\$134,970
Special Revenue	1,421,605	863,338	558,267
Debt Service	0	0	0
Capital Projects	228,575	199,918	28,657
Enterprise	1,250,238	1,176,867	73,371
Total	<u>\$4,262,813</u>	<u>\$3,467,548</u>	<u>\$795,265</u>

Budgetary activity for the year ending 2010 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,513,410	\$1,815,374	\$301,964
Special Revenue	1,237,083	1,511,305	274,222
Debt Service	0	0	0
Capital Projects	765,136	33,818	(731,318)
Enterprise	812,867	1,298,894	486,027
Total	<u>\$4,328,496</u>	<u>\$4,659,391</u>	<u>\$330,895</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,317,901	\$1,169,301	\$148,600
Special Revenue	1,262,119	1,187,547	74,572
Debt Service	0	0	0
Capital Projects	1,191,000	845,283	345,717
Enterprise	1,098,929	1,108,530	(9,601)
Total	<u>\$4,869,949</u>	<u>\$4,310,661</u>	<u>\$559,288</u>

VILLAGE OF HARTVILLE
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

5. Property Tax

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. Under certain circumstances, state statute permits later payment dates to be established.

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

6. Local Income Tax

The Village levies a municipal income tax of one percent 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.

7. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (OPWC)	\$171,148	0.00%
(OWDA) Ohio Water Development Authority Loan #2285	646,576	3.12%
(OWDA) Ohio Water Development Authority Loan #3722	121,349	0.00%
(OWDA) Ohio Water Development Authority Loan #4414	3,100,021	0.00%
(OWDA) Ohio Water Development Authority Loan #4538	280,699	0.00%
Total	<u>\$4,319,793</u>	

VILLAGE OF HARTVILLE
STARK COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

Year ending December 31:	OPWC Loan	OWDA 2285	OWDA 3722	OWDA 4414	OWDA 4538
2012	\$31,118	\$55,335	\$5,276	\$209,365	\$103,856
2013	31,118	110,670	10,552	209,365	103,856
2014	31,118	110,670	10,552	209,365	72,987
2015	31,118	110,670	10,552	209,365	0
2016	31,118	110,670	10,552	209,365	0
2017-2021	15,558	221,346	52,760	1,046,825	0
2022-2026	0	0	21,105	1,006,369	0
Total	<u>\$171,148</u>	<u>\$719,361</u>	<u>\$121,349</u>	<u>\$3,100,019</u>	<u>\$280,699</u>

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

The Ohio Water Development Authority (OWDA) loan 2285 relates to a project for the expansion of the aerobic digester/sludge storage facilities and chlorine contact tank. The loan will be repaid with semiannual installments of \$55,335 until its maturity in 2018.

The Ohio Water Development Authority (OWDA) loan 3722 relates to a project for the construction of sanitary sewer to connect to the existing Sunnyside lift station. The loan will be repaid with semiannual installments of \$5,276 until its maturity in 2023. The loan is secured by special assessment sewer receipts.

The Ohio Development Authority (OWDA) loan 4414 was obtained to construct Woodland Street sanitary sewer lines. The loan will be repaid with semiannual installments of \$104,683 until its maturity in 2027. The loan is secured by special assessment sewer receipts.

The Ohio Development Authority (OWDA) loan 4538 was obtained for engineering costs for a waste water treatment plant project. The loan is to be repaid with semiannual installments of \$51,928 until its maturity in 2015. The loan is secured by sewer receipts.

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For both 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

VILLAGE OF HARTVILLE
STARK COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

10. Contingent Liabilities

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



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Hartville
Stark County
P.O. Box 760
Hartville, Ohio 44632-0760

To the Village Council:

We have audited the financial statements of the Village of Hartville, Stark County (the Village) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated July 20 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permit rather than accounting principles generally accepted in the United States of America. We also noted the Village adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). 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*.

Internal Control 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 audit procedures for the purpose of expressing our opinion 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 grant 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 20, 2012.

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.

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

July 20, 2012

**VILLAGE OF HARTVILLE
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2011 and 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	<p>Material weakness: Numerous receipt and disbursement transactions were not posted correctly including:</p> <ul style="list-style-type: none"> • Mayor's Court receipts and disbursements were not posted to the books in 2008 and 2009 • Homestead and Rollback receipts • Property Tax receipts. • Proceeds from Sale of Fixed Assets • Principal retirement and interest and fiscal charges • Ohio Water Development Authority disbursements 	No	Partially corrected, see similar management letter comment.
2009-02	Income Tax revenue was not properly allocated based on Village Ordinance No. 1-68.18	Yes	Finding no longer valid.
2009-03	<p>Ohio Rev. Code Section 5705.41 (B) The following funds had expenditures plus encumbrances exceeding authorized appropriations:</p> <ul style="list-style-type: none"> • Street Construction Maintenance and Repair • Lake EMS Levy • Fire Operating Levy • Income Tax • General 	No	Partially corrected, see similar management letter comment.
2009-04	<p>Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 - The Village made a transfer from the Capital Improvement Fund to the General Fund without the proper approval from the Court of Common Pleas of the County</p>	Yes	Finding no longer valid.
2009-05	Ohio Rev. Code Section 5705.41 (D) in 2008 35% of expenditures tested and in 2009 20% of the expenditures tested were not properly certified prior to incurring the obligation	No	Partially corrected, see similar management letter comment.

**VILLAGE OF HARTVILLE
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2011 and 2010
(Continued)**

2009-06	Ohio Rev. Code Section 5705.10 Negative fund balances in the following funds: <ul style="list-style-type: none"> • General • Fire • Sewer Construction • Street Construction Maintenance and Repair • Income Tax 	Yes	Finding no longer valid.
2009-07	Ohio Rev. Code Section 135.21 Improper Distribution of interest earnings	No	Partially corrected, see similar management letter comment.
2009-08	Ohio Rev. Code Section 5705.36 (A)(2) – requires a reduced Amended Certificate of Estimated Resources to be obtained if the amount of the deficiency between estimated and actual would reduce available resources below the current level of appropriations. An Amended Certificate of Estimated Resources should have been obtained for the General, Street Construction Maintenance and Repair, and Capital Improvement Fund in 2008 and Fire Operating Levy and EMS Levy funds in 2009	Yes	Finding no longer valid.
2009-09	Ohio Rev. Code Section 5705.39 total appropriations from each fund should not exceed total estimated resources from each fund.	No	Partially corrected, see similar management letter comment.



Dave Yost • Auditor of State

VILLAGE OF HARTVILLE

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 09, 2012