



Dave Yost • Auditor of State

**VILLAGE OF HARTVILLE
STARK COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Hartville
Stark County
202 West Maple Street
Hartville, Ohio 44632

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 23, 2017

Village of Hartville, Ohio
Stark County
Combined Statement of Receipts, Disbursements and Changes in Fund
Balances - (Cash Basis) All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$126,048	\$301,416	\$0	\$427,464
Municipal Income Taxes	1,269,897	0	0	1,269,897
Intergovernmental	189,021	336,500	15,304	540,825
Charges for Services	3,078	0	0	3,078
Fines, Licenses and Permits	64,141	634	22,035	86,810
Earnings on Investments	1,751	0	0	1,751
Miscellaneous	11,378	16,320	3,051	30,749
<i>Total Cash Receipts</i>	<u>1,665,314</u>	<u>654,870</u>	<u>40,390</u>	<u>2,360,574</u>
Cash Disbursements				
Current:				
Security of Persons and Property	650,091	341,324	0	991,415
Public Health Services	24,065	0	0	24,065
Leisure Time Activities	31,687	0	0	31,687
Basic Utility Services	5,205	0	0	5,205
Community Environment	29,987	0	0	29,987
Transportation	0	362,791	0	362,791
General Government	347,842	5,283	0	353,125
Capital Outlay	29,631	420,042	31,666	481,339
<i>Total Cash Disbursements</i>	<u>1,118,508</u>	<u>1,129,440</u>	<u>31,666</u>	<u>2,279,614</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>546,806</u>	<u>(474,570)</u>	<u>8,724</u>	<u>80,960</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	971	0	0	971
Advance In	0	20,000	0	20,000
Advance Out	(20,000)	0	0	(20,000)
Other Financing Sources	1,416	0	0	1,416
Transfers In	0	435,528	98,472	534,000
Transfers Out	(534,000)	0	0	(534,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(551,613)</u>	<u>455,528</u>	<u>98,472</u>	<u>2,387</u>
<i>Net Change in Fund Cash Balances</i>	<u>(4,807)</u>	<u>(19,042)</u>	<u>107,196</u>	<u>83,347</u>
<i>Fund Cash Balances , January 1</i>	<u>746,409</u>	<u>141,832</u>	<u>430,486</u>	<u>1,318,727</u>
Fund Cash Balances , December 31				
Nonspendable	2,126	0	0	2,126
Restricted	0	122,790	0	122,790
Committed	17,018	0	295,416	312,434
Assigned	439,582	0	242,266	681,848
Unassigned	282,876	0	0	282,876
<i>Fund Cash Balances , December 31</i>	<u>\$741,602</u>	<u>\$122,790</u>	<u>\$537,682</u>	<u>\$1,402,074</u>

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

Village of Hartville, Ohio
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, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,302,737	\$0	\$1,302,737
Fines, Licenses and Permits	8,160	0	8,160
Earnings on Investments	1,466	0	1,466
Miscellaneous	155	0	155
<i>Total Operating Cash Receipts</i>	<u>1,312,518</u>	<u>0</u>	<u>1,312,518</u>
Operating Cash Disbursements			
Personal Services	210,474	0	210,474
Contractual Services	294,109	0	294,109
Supplies and Materials	42,247	0	42,247
<i>Total Operating Cash Disbursements</i>	<u>546,830</u>	<u>0</u>	<u>546,830</u>
<i>Operating Income</i>	<u>765,688</u>	<u>0</u>	<u>765,688</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	92,918	0	92,918
Capital Outlay	(227,720)	0	(227,720)
Principal Retirement	(442,065)	0	(442,065)
Interest and Other Fiscal Charges	(96,469)	0	(96,469)
Other Financing Sources	0	28,407	28,407
Other Financing Uses	0	(30,158)	(30,158)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(673,336)</u>	<u>(1,751)</u>	<u>(675,087)</u>
<i>Net Change in Fund Cash Balances</i>	92,352	(1,751)	90,601
<i>Fund Cash Balances, January 1</i>	<u>1,445,154</u>	<u>3,350</u>	<u>1,448,504</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,537,506</u></u>	<u><u>\$1,599</u></u>	<u><u>\$1,539,105</u></u>

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

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Hartville (the Village), Stark County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and police services. The Village contracts with the Hartville Fire Department to receive fire protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Fund The fire fund accounts for property tax money collection for fire protection.

EMS Fund The EMS fund accounts for property tax money collection for EMS protection.

State Highway Fund The state highway fund accounts for gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing state highways within the Villages boundaries.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Capital Improvement Fund The capital improvement fund accounts for cable franchise fees, royalties and lease fees relating to the Village's industrial park for acquiring and constructing major capital projects.

Street Capital Equipment Reserve Fund The street capital equipment reserve fund accounts for transfers from the general fund to accumulate reserves for future street equipment purchases.

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 fund:

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

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.

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 funds account for the fines and fees collected and costs of the Village's Mayors Court and unclaimed monies.

Basis of Accounting

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

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

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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

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

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,451,997	\$1,667,701	\$215,704
Special Revenue	1,146,876	1,090,398	(56,478)
Capital Projects	234,043	138,862	(95,181)
Enterprise	1,360,500	1,405,436	44,936
Total	\$4,193,416	\$4,302,397	\$108,981

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,835,903	\$1,681,032	\$154,871
Special Revenue	1,196,644	1,157,951	38,693
Capital Projects	187,372	158,355	29,017
Enterprise	1,608,132	1,388,309	219,823
Total	\$4,828,051	\$4,385,647	\$442,404

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$2,124,119
STAR Ohio	817,060
Total deposits and investments	<u>\$2,941,179</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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of 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.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2016, consisted of \$5,000 advanced to the West Maple Street Corridor Fund during 2012, \$2,340 advanced to the Bullet Proof Vest Fund during 2014, \$85,714 advanced to the Market Avenue Fund during 2015 and \$20,000 advanced to the Market Avenue Fund during 2016. All advances were to provide working capital for projects and were advanced from the General Fund.

Note 7 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(\$13,396,700)</u>
Net Position	<u><u>\$28,785,581</u></u>

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

At December 31, 2016 the liabilities above include approximately \$12 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$19,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

2016
\$29,598

After one year membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund for their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing members, regardless of where a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Social Security

Some of the Village’s employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

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

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
(OPWC) Ohio Public Works Commission Loan #CT710	\$218,204	0.00%
(OPWC) Ohio Public Works Commission Loan #CS805	\$15,559	0.00%
(OWDA) Ohio Water Development Authority Loan #2285	\$160,964	3.12%
(OWDA) Ohio Water Development Authority Loan #3722	\$68,588	0.00%
(OWDA) Ohio Water Development Authority Loan #4414	\$2,073,418	0.00%
(OWDA) Ohio Water Development Authority Loan #6445	\$237,456	0.00%
USDA Loan	3,522,500	2.50%
Total	\$6,296,689	

The Ohio Public Works Commission CT710 relates to a sewer line replacement. The loan will be repaid with semiannual installments of \$6,418 until its maturity in 2033.

The Ohio Public Works Commission CS805 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 principal and interest in the amount of \$55,335 until its maturity in 2018.

The Ohio Water Development Authority (OWDA) loan 3722 relates to a project for the construction of a 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.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Ohio Water Development Authority (OWDA) loan 4414 was obtained to construct Woodland Street sanitary sewer lines. The loan will be repaid with semiannual installments of \$103,671 until its maturity in 2027. The loan is secured by special assessment sewer receipts.

The Ohio Water Development Authority (OWDA) loan 6445 was obtained for a sewer line replacement project. The loan will be repaid in semiannual installments of \$9,523 until its maturity in 2028. The loan is secured by sewer receipts.

The Village entered into a loan agreement with the United States Department of Agriculture (USDA) which is in the form of three sewer system mortgage revenue bonds of the Village. The Bonds were issued on March 11, 2013 in the amount of \$3,580,000 and purchased by USDA. The Bonds have a stated interest of 2.5% and mature in 2053. The loan was used to upgrade the sanitary sewer plant.

Amortization

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

Year ending	OPWC	OPWC		
December 31:	CT710	CS805	OWDA 2285	OWDA 3722
2017	\$12,836	\$15,559	\$110,509	\$10,552
2018	12,836	0	55,303	10,552
2019	12,836	0	0	10,552
2020	12,836	0	0	10,552
2021	12,836	0	0	10,552
2021-2026	64,178	0	0	15,828
2027-2031	64,178	0	0	0
2032-2036	25,668	0	0	0
Total	<u>\$218,204</u>	<u>\$15,559</u>	<u>\$165,812</u>	<u>\$68,588</u>

Year ending	OWDA		USDA	
December 31:	4414	OWDA 6445	LOAN	TOTALS
2017	\$207,342	\$19,047	\$147,063	\$522,908
2018	207,342	19,047	146,988	452,068
2019	207,342	19,047	147,078	396,855
2020	207,342	19,047	147,028	396,805
2021	207,342	19,047	147,040	396,817
2021-2026	1,036,708	95,236	735,163	1,947,113
2027-2031	0	46,985	735,178	846,341
2032-2036	0	0	735,138	760,806
2037-2041	0	0	735,145	735,145
2042-2046	0	0	735,103	735,103
2047-2051	0	0	735,190	735,190
2052-2053	0	0	294,070	294,070
Total	<u>\$2,073,418</u>	<u>\$237,456</u>	<u>\$5,440,184</u>	<u>\$8,219,221</u>

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Contingent Liabilities

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

Village of Hartville, Ohio
Stark County
Combined Statement of Receipts, Disbursements and Changes in Fund
Balances - (Cash Basis) All Governmental Fund Types
For the Year Ended December 31, 2015

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$108,719	\$282,761	\$0	\$391,480
Municipal Income Taxes	1,059,129	0	0	1,059,129
Intergovernmental	54,622	1,286,109	0	1,340,731
Charges for Services	3,760	0	0	3,760
Fines, Licenses and Permits	75,505	3,254	22,971	101,730
Earnings on Investments	440	9	0	449
Miscellaneous	9,272	4,945	5,374	19,591
<i>Total Cash Receipts</i>	<u>1,311,447</u>	<u>1,577,078</u>	<u>28,345</u>	<u>2,916,870</u>
Cash Disbursements				
Current:				
Security of Persons and Property	587,460	330,211	0	917,671
Public Health Services	21,844	0	0	21,844
Leisure Time Activities	29,322	0	0	29,322
Basic Utility Services	4,827	0	0	4,827
Community Environment	13,656	0	0	13,656
Transportation	0	375,660	0	375,660
General Government	363,942	0	0	363,942
Capital Outlay	86,484	1,345,232	37,010	1,468,726
<i>Total Cash Disbursements</i>	<u>1,107,535</u>	<u>2,051,103</u>	<u>37,010</u>	<u>3,195,648</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>203,912</u>	<u>(474,025)</u>	<u>(8,665)</u>	<u>(278,778)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	5,612	0	0	5,612
Advance In	0	85,714	0	85,714
Advance Out	(85,714)	0	0	(85,714)
Other Financing Sources	642	0	0	642
Transfers In	14,784	430,818	196,944	642,546
Transfers Out	(627,762)	(14,784)	0	(642,546)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(692,438)</u>	<u>501,748</u>	<u>196,944</u>	<u>6,254</u>
<i>Net Change in Fund Cash Balances</i>	<u>(488,526)</u>	<u>27,723</u>	<u>188,279</u>	<u>(272,524)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,234,935</u>	<u>114,109</u>	<u>242,207</u>	<u>1,591,251</u>
Fund Cash Balances , December 31				
Nonspendable	711	0	0	711
Restricted	0	141,832	0	141,832
Committed	17,018	0	196,944	213,962
Assigned	398,478	0	233,542	632,020
Unassigned (Deficit)	330,202	0	0	330,202
<i>Fund Cash Balances, December 31</i>	<u>\$746,409</u>	<u>\$141,832</u>	<u>\$430,486</u>	<u>\$1,318,727</u>

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

Village of Hartville, Ohio
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, 2015

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,269,165	\$0	\$1,269,165
Fines, Licenses and Permits	20,340	0	20,340
<i>Total Operating Cash Receipts</i>	<u>1,289,505</u>	<u>0</u>	<u>1,289,505</u>
Operating Cash Disbursements			
Personal Services	213,343	0	213,343
Contractual Services	278,854	0	278,854
Supplies and Materials	80,148	0	80,148
<i>Total Operating Cash Disbursements</i>	<u>572,345</u>	<u>0</u>	<u>572,345</u>
<i>Operating Income</i>	<u>717,160</u>	<u>0</u>	<u>717,160</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	489,736	0	489,736
Special Assessments	94,314	0	94,314
Capital Outlay	(402,072)	0	(402,072)
Principal Retirement	(380,974)	0	(380,974)
Interest and Other Fiscal Charges	(100,091)	0	(100,091)
Other Financing Sources	0	63,585	63,585
Other Financing Uses	0	(63,459)	(63,459)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(299,087)</u>	<u>126</u>	<u>(298,961)</u>
<i>Net Change in Fund Cash Balances</i>	<u>418,073</u>	<u>126</u>	<u>418,199</u>
<i>Fund Cash Balances, January 1</i>	<u>1,027,081</u>	<u>3,224</u>	<u>1,030,305</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,445,154</u>	<u>\$3,350</u>	<u>\$1,448,504</u>

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

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1— Reporting Entity

Description of 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 contracts with the Hartville Fire Department to receive fire protection services. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 10 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially responsible.

Note 2— Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Accounting Basis

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

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

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

D. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

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

Fire Fund – This fund accounts for property tax money collected for fire protection.

EMS Fund – This fund accounts for property tax money collected for EMS protection.

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.

Canton Waterline Phase III – This fund accounts for CDBG funds and City of Canton funds for construction of a waterline within the Village.

3. Capital Project Funds

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

Capital Improvement Fund – This fund receives cable franchise fees, royalties and lease fees relating to Village's industrial park for acquiring and constructing major capital projects.

Street Capital Equipment Reserve – This fund accounts for transfers from the General fund to accumulate reserves for future street equipment purchases.

4. 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 businesses and residents to cover sewer service costs and capital improvements.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

5. 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 funds are Agency Funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, private organizations or other governments which are not available to support the Village's own programs. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for the fines and fees collected and costs of the Village's Mayors Court and unclaimed monies.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 budgetary activity appears in Note 4.

F. Fund Balance

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

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.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 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 the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

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 or retirement, employees are entitled to cash payments for unused leave. These financial statements do not include a liability for unpaid leave.

Note 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:

	2015
Demand deposits	\$1,953,112
STAR Ohio	814,119
Total deposits and investments	<u>\$2,767,231</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 are not evidenced by securities that exist in physical or book-entry form.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4 – Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,128,299	\$1,332,485	\$204,186
Special Revenue	2,412,627	2,007,896	(404,731)
Capital Projects	37,099	225,289	188,190
Enterprise	1,337,109	1,873,555	536,446
Total	\$4,915,134	\$5,439,225	\$524,091

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,781,035	\$1,756,775	\$24,260
Special Revenue	2,347,379	2,110,993	236,386
Capital Projects	104,531	42,348	62,183
Enterprise	1,802,327	1,521,451	280,876
Total	\$6,035,272	\$5,431,567	\$603,705

Note 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.

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

Note 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.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 – Debt

Debt outstanding at December 31, 2015 as follows:

	Principal	Interest Rate
(OPWC) Ohio Public Works Commission Loan # CT710	\$231,040	0.00%
(OPWC) Ohio Public Works Commission Loan # CS805	46,676	0.00%
(OWDA) Ohio Water Development Authority Loan #2285	264,191	3.12%
(OWDA) Ohio Water Development Authority Loan #3722	79,140	0.00%
(OWDA) Ohio Water Development Authority Loan #4414	2,280,760	0.00%
(OWDA) Ohio Water Development Authority Loan #6445	256,503	0.00%
USDA LOAN	3,580,000	2.50%
Total	<u>\$6,738,310</u>	

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

Year ending December 31	OPWC CT710	OPWC CS805	OWDA 2285	OWDA 3722
2016	\$12,836	\$31,117	\$110,671	\$10,552
2017	12,836	15,559	110,671	10,552
2018	12,836	0	55,335	10,552
2019	12,836	0	0	10,552
2020	12,836	0	0	10,552
2021-2025	64,178	0	0	26,380
2026-2030	64,178	0	0	0
2031-2035	38,504	0	0	0
Total	<u>\$231,040</u>	<u>\$46,676</u>	<u>\$276,677</u>	<u>\$79,140</u>

Year ending December 31	OWDA 4414	OWDA 6445	USDA Loan	TOTALS
2016	\$207,342	\$19,047	\$147,000	\$538,565
2017	207,342	19,047	147,063	523,070
2018	207,342	19,047	146,988	452,100
2019	207,342	19,047	147,078	396,855
2020	207,342	19,047	147,028	396,805
2021-2025	1,036,709	95,236	735,115	1,957,618
2026-2030	207,341	66,032	735,155	1,072,706
2031-2035	0	0	735,188	773,692
2036-2040	0	0	735,133	735,133
2041-2045	0	0	735,220	735,220
2046-2050	0	0	735,148	735,148
2051-2053	0	0	441,068	441,068
Total	<u>\$2,280,760</u>	<u>\$256,503</u>	<u>\$5,587,184</u>	<u>\$8,757,980</u>

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

The Ohio Public Works Commission CT710 relates to a sewer line replacement. The loan will be repaid with semiannual installments of \$6,418 until its maturity in 2033.

The Ohio Public Works Commission CS805 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 principal and interest in the amount of \$55,335 until its maturity in 2018.

The Ohio Water Development Authority (OWDA) loan 3722 relates to a project for the construction of a 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 Water Development Authority (OWDA) loan 4414 was obtained to construct Woodland Street sanitary sewer lines. The loan will be repaid with semiannual installments of \$103,671 until its maturity in 2027. The loan is secured by special assessment sewer receipts.

The Ohio Water Development Authority (OWDA) loan 6445 was obtained for a sewer line replacement project. The loan will be repaid in semiannual installments of \$9,523 until its maturity in 2028. The loan is secured by sewer receipts.

The Village entered into a loan agreement with the United States Department of Agriculture (USDA) which is in the form of three sewer system mortgage revenue bonds of the Village. The Bonds were issued on March 11, 2013 in the amount of \$3,580,000 and purchased by USDA. As of December 31, 2015 the Village drew down the entire amount of \$3,580,000. The Bonds have a stated interest of 2.5% and mature in 2053. The loan, along with a grant of \$3,785,000, are being used to upgrade the sanitary sewer plant.

Note 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 the period January 1, 2015 through June 30, 2015, OP&F participants contributed 11.5% of their wages. For the period July 1, 2015 through December 31, 2015, OP&F participants contributed 12.25% of their wages. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Social Security

Some of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Postemployment Benefits

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

Note 10 — Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

	2015
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, respectively, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$19,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Village of Hartville, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2015

<u>Contributions</u> <u>to PEP</u>
<u>2015</u>
\$30,530

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund for their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 11 – Contingent Liabilities

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

Note 12 – Interfund Balances

Advances

Outstanding advances at December 31, 2015 consisted of \$5,000 advanced to the West Maple Street Corridor Fund during 2012, \$2,340 advanced to the Bullet Proof Vest Fund during 2014 and \$85,714 advanced to the Market Avenue Fund during 2015. All advances were to provide working capital for projects, and were advanced from the General Fund.

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Dave Yost • Auditor of State

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

Village of Hartville
Stark County
202 West Maple Street
Hartville, Ohio 44632

To the Village of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the of the cash balances, receipts, and disbursements by fund type of the Village of Hartville, Stark County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

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2017

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

October 23, 2017



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
NOVEMBER 21, 2017