

VILLAGE OF NAVARRE

STARK COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2017





Dave Yost • Auditor of State

Village Council
Village of Navarre
27 W. Canal St
Navarre, OH 44662

We have reviewed the *Independent Auditor's Report* of the Village of Navarre, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Navarre is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 27, 2018

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VILLAGE OF NAVARRE
STARK COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2017

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

INDEPENDENT AUDITOR'S REPORT

Village of Navarre
Stark County
27 W. Canal Street
Navarre, Ohio 44662

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Navarre, Stark County, Ohio (the Village) as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Navarre, Stark County, as of December 31, 2017, for the year 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 Matters

Other Information


Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this Schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2018, 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.



Charles E. Harris & Associates, Inc.
August 10, 2018

**VILLAGE OF NAVARRE
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 75,872	-	-	\$ 75,872
Municipal Income Tax	1,069,614	-	-	1,069,614
Intergovernmental	37,686	\$ 102,999	\$ 900,062	1,040,747
Charges for Services	-	20,150	-	20,150
Fines, Licenses and Permits	1,919	986	-	2,905
Earnings on Investments	14,683	1,037	-	15,720
Miscellaneous	174,498	27,704	-	202,202
<i>Total Cash Receipts</i>	<u>1,374,272</u>	<u>152,876</u>	<u>900,062</u>	<u>2,427,210</u>
Cash Disbursements				
Current:				
Security of Persons and Property	520,851	4,992	-	525,843
Public Health Services	1,251	39,695	-	40,946
Leisure Time Activities	26,459	-	-	26,459
Transportation	-	362,964	-	362,964
General Government	201,348	-	-	201,348
Capital Outlay	6,723	4,025	1,026,145	1,036,893
<i>Total Cash Disbursements</i>	<u>756,632</u>	<u>411,676</u>	<u>1,026,145</u>	<u>2,194,453</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	617,640	(258,800)	(126,083)	232,757
Other Financing Receipts (Disbursements)				
Transfers In	-	250,000	250,000	500,000
Transfers Out	(500,000)	-	-	(500,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(500,000)</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	117,640	(8,800)	123,917	232,757
<i>Fund Cash Balances, January 1</i>	<u>148,696</u>	<u>368,444</u>	<u>660,004</u>	<u>1,177,144</u>
Fund Cash Balances, December 31				
Restricted	-	359,644	-	359,644
Committed	-	-	783,921	783,921
Unassigned	266,336	-	-	266,336
<i>Fund Cash Balances, December 31</i>	<u>\$ 266,336</u>	<u>\$ 359,644</u>	<u>\$ 783,921</u>	<u>\$ 1,409,901</u>

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

**VILLAGE OF NAVARRE
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 924,375	-	\$ 924,375
Miscellaneous	8,547	-	8,547
<i>Total Operating Cash Receipts</i>	<u>932,922</u>	<u>-</u>	<u>932,922</u>
Operating Cash Disbursements			
Personal Services	352,435	-	352,435
Fringe Benefits	183,121	-	183,121
Contractual Services	3,617,498	-	3,617,498
Supplies and Materials	150,073	\$ 3,525	153,598
Other	2,880	-	2,880
<i>Total Operating Cash Disbursements</i>	<u>4,306,007</u>	<u>3,525</u>	<u>4,309,532</u>
<i>Operating Income (Loss)</i>	(3,373,085)	(3,525)	(3,376,610)
Non-Operating Receipts (Disbursements)			
Intergovernmental Receipts	994,182	-	994,182
Earnings on Investments	-	1,802	1,802
Other Debt Proceeds	2,471,028	-	2,471,028
Capital Outlay	(109,841)	(464,701)	(574,542)
Principal Retirement	(53,500)	-	(53,500)
Interest and Other Fiscal Charges	(8,535)	-	(8,535)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>3,293,334</u>	<u>(462,899)</u>	<u>2,830,435</u>
<i>Income (Loss) before Transfers</i>	(79,751)	(466,424)	(546,175)
Transfers In	86,364	-	86,364
Transfers Out	(86,364)	-	(86,364)
<i>Net Change in Fund Cash Balances</i>	(79,751)	(466,424)	(546,175)
<i>Fund Cash Balances, January 1</i>	<u>1,251,878</u>	<u>569,483</u>	<u>1,821,361</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,172,127</u>	<u>\$ 103,059</u>	<u>\$ 1,275,186</u>

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

Village of Navarre
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

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

Joint Venture

The Village participates in the Perry-Navarre Joint Economic Development District (JEDD), a joint venture. Note 11 to the financial statements provides additional information for this entity.

Jointly Governed Organizations

The Village participates in the Stark Council of Governments and the Stark County Regional Planning Commission, jointly governed organizations. Note 12 to the financial statements provides additional information for these entities.

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 change in fund balance (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 to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Maintenance Fund The street maintenance fund accounts for and reports the receipt of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

Village of Navarre
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Project Funds These funds account for and report financial resources that are committed 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 Projects Fund The Capital Projects fund accounts for and reports the receipt of General Fund transfers to accumulate funds for future capital improvements and to purchase equipment for the Village's use.

Prospect Indus Park Fund The prospect Indus park fund accounts for and reports intergovernmental receipts committed for the purpose of the Prospect Indus Park project.

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

Water Capital Improvement Fund The water capital improvement fund accounts for and reports the receipt of loan proceeds for the completion of the water improvement project.

Fiduciary Funds Fiduciary funds include agency funds. 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 is the JEDD fund, which receives grants that are used to facilitate economic development and to create and preserve jobs. For more information refer to Note 11.

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. Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

Village of Navarre
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Village of Navarre
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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

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, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,286,000	\$ 1,374,272	\$ 88,272
Special Revenue	394,100	402,876	8,776
Capital Projects	1,150,000	1,150,062	62
Enterprise	4,481,364	4,484,496	3,132

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,434,677	\$ 1,256,632	\$ 178,045
Special Revenue	762,544	411,676	350,868
Capital Projects	2,043,402	1,026,145	1,017,257
Enterprise	5,929,854	4,564,247	1,365,607

Village of Navarre
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$ 2,685,087

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

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 February 23. The second half payment is due the following July 27.

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

Income Taxes

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

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

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Village of Navarre
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (continued)

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded coverage in any of the past three years. Coverage limits have not been significantly reduced since last year.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Pension Fund

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officers' wages. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1% during calendar year 2017, and OP&F contributed 0.5% to fund these benefits.

Village of Navarre
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
USDA Revenue Bonds	\$ 2,433,940	1.63%

In 2016, the Village authorized the issuance of \$2,981,000 of revenue bonds payable in 40 years for the purpose of paying part of the cost of certain water system improvements, with Series A in the principal amount of \$2,150,000 and Series B in the principal amount of \$831,000, both at 1.63%. Only \$16,412 and \$2,471,028 of this loan was incurred in 2016 and 2017 respectively. The project is ongoing and no amortization schedule is available for this loan as of December 31, 2017.

Note 10 – Contingent Liabilities

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

Note 11 – Joint Venture

The Village participates in, and is the fiscal agent for, the Perry-Navarre Joint Economic Development District (JEDD), which is a statutorily created political subdivision of the State and which was established on November 6, 1996. The JEDD is a joint venture between the Village and Perry Township, created to facilitate economic development and to preserve jobs and employment opportunities. A five member Board of Directors has been established to govern the JEDD, including two representatives appointed by the Village. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional benefit to or burden on the Village. Complete financial statements can be obtained from the Village of Navarre Clerk/Treasurer, 27 Canal Street West, Navarre, Ohio 44662.

Note 12 – Jointly Governed Organizations

Stark Council of Governments (Council)

The Village participates in the Council which is statutorily created political subdivision of the State. The Council is jointly governed among Stark County municipalities and townships. Each member’s control over the operation of the Council is limited to its representation on the Board which consists of 27 members. The Board exercises total control the operation of the Council including appropriating, contracting, and designating management.

Stark County Regional Planning Commission (Commission)

The Village participates in the Commission, which is a statutorily created subdivision of the State. The Commission is jointly governed among Stark County municipalities and townships. Each member’s control over the operation of the Commission is limited to its representation on the Board, which consists of 48 members. The Board exercises total control over the operation of the Commission including appropriating, contracting, and designating management.

Village of Navarre
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 13 – Transfers

During 2017, transfers were made from the General Fund for income tax revenues to the SCM&R fund and Capital Project fund in accordance with the income tax allocation. Transfers were made from the Water System Reserve fund to the Water fund, and from the Sewer Improvements fund to the Sewer fund to subsidize operations and complete capital improvements. All transfers were made in accordance with the Ohio Revised Code.

**VILLAGE OF NAVARRE
STARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Direct Program</i>		
Water and Waste Disposal System for Rural Communities	10.760	\$3,465,210
Total U.S. Department of Agriculture		3,465,210
Total Expenditures of Federal Awards		\$3,465,210

The accompanying notes are an integral part of this schedule.

**VILLAGE OF NAVARRE
STARK COUNTY**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Prepared by Management

2 CFR 200.510(b)(6)

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of Navarre (the Village) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of Navarre
Stark County
27 W. Canal Street
Navarre, Ohio 44662

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Navarre, Stark County, Ohio (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated August 10, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider to be a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as 2017-002.


We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 10, 2018.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
August 10, 2018

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Cleveland OH 44113-1306
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Fax - (216) 436-2411

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Village of Navarre
Stark County
27 W. Canal Street
Navarre, Ohio 44662

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Navarre, Stark County, Ohio's (the Village) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Village's major federal program for the year ended December 31, 2017. The Village's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Village's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Navarre, Stark County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings as item 2017-003. Our opinion on the major federal program is not modified with respect to this matter.

The Village's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Village's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

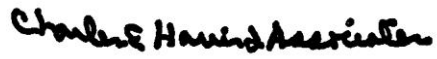
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings as item 2017-004, that we consider to be a material weakness.

The Village's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings. The Village's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Village of Navarre
Stark County
Independent Auditor's Report on Compliance for
the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Charles E. Harris" followed by "Associates" in a smaller, less legible script.

Charles E. Harris & Associates, Inc.
August 10, 2018

**VILLAGE OF NAVARRE
STARK COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse – GAAP basis Unmodified – Regulatory basis
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal System for Rural Communities – CFDA # 10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

VILLAGE OF NAVARRE
STARK COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

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

Finding Number 2017-001 - Material Weakness

Recording of transactions

The Village recorded numerous transactions incorrectly during 2017. The more significant adjustments were as follows:

- Recorded proceeds of a grant as other debt proceeds instead of intergovernmental receipts.
- Recorded homestead and rollback revenues a property taxes instead of intergovernmental receipts.
- Recorded payment of interest as principal payment.
- Budgetary footnotes were modified due to the Village presenting information that was not final for the budgeted amounts in Note 3.

Adjustments were made in the financial statements and footnotes to reflect the proper presentation.

Failure to report transactions and fund balances correctly results in the financial statements not being accurately presented. We recommend the Village utilize the Ohio Village Officer's Handbook and other Auditor of state guidance to properly classify its transactions and fund balances. Also, we recommend the Fiscal Officer and Council review all reports compiled by Governmental System to ensure their accuracy.

Management's Response: See Corrective Action Plan.

Finding Number: 2017-002 – Noncompliance

Appropriations Exceeding Total Resources

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund shall not exceed the total estimated resources. In 2017, appropriations exceeded estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
Capital Project	\$910,004	\$1,143,402	(\$233,398)
Water Capital Improvement	\$3,533,955	\$3,730,557	(\$196,602)

We recommend that the Village monitor its budget closely to prevent appropriations from exceeding estimated resources.

Management's Response: See Corrective Action Plan.

**VILLAGE OF NAVARRE
STARK COUNTY**

**SCHEDULE OF FINDINGS (continued)
2 CFR § 200.515
DECEMBER 31, 2017**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number 2017-003 - Federal Noncompliance

Uniform Guidance Policies

2 CFR § 1201.1 gives regulatory effect to the Department of Agriculture for 2 CFR Part 200-Uniform Administration on Requirements, Cost Principles, and audit requirements for Federal awards - Subpart D, requires that formal written policies that address Cash Management, Allowable Costs, Procurement by Competitive Proposal and Time and Effort. Below is a summary of the required internal control policies under Title 2. The Village of Navarre has not updated their written procedures for any of the requirements listed below.

	Reference	Written Policies Required?	Notes
Cash Management	200.305 <i>Payment – Subpart D</i>	Yes	See 200.302 <i>Financial Management</i> - Subpart D, Section (b)(6) Written procedures to implement the requirements of §200.305 <i>Payment</i> .
Determining Allowable Costs	200.302 <i>Financial Management – Subpart D</i>	Yes	See 200.302 (b)(7) Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.
Evaluation & Selection of Procurement by Competitive Proposals	200.320 <i>Methods of procurement to be followed</i> - Subpart D	Yes	See 200.320 (d)(3) If procurement is by competitive proposals, the non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients.
Time and Effort	200.430 <i>Compensation – personal services – Subpart E</i>	Yes	See 200.430 (a) Is reasonable for the services rendered and conforms to the established written policy of the non- Federal entity consistently applied to both Federal and non-Federal activities.

We recommend the Village review the above requirements which are new requirements under Title 2, Uniform Guidance (UG). The Village should adopt policies to address each requirement above and ensure all personnel administering the grant are aware of the requirements and follow the established policies, to help ensure the grant requirements are met.

Management’s Response: See Corrective Action Plan.

VILLAGE OF NAVARRE
STARK COUNTY

SCHEDULE OF FINDINGS (continued)
2 CFR § 200.515
DECEMBER 31, 2017

3. FINDINGS FOR FEDERAL AWARDS - continued

Finding Number 2017-004 – Material Weakness

Accuracy of SEFA

Uniform Guidance 2 CFR part 200, subpart F states that it is management's responsibility to prepare an accurate Schedule of Expenditures of Federal Awards (SEFA). The requirement means that the recipient has to identify all of its federal programs (direct and indirect, major and non-major) and related awards expended.

Council's internal control procedures did not identify various errors within the Schedule of Expenditures of Federal Awards, including but not limited to using incorrect figures, including federal grants and recording payments of debt principal and interest as federal expenses. The failure to identify grants and include unallowable costs affects the Village's ability to report accurate federal expenditures required by the Uniform Guidance. These errors were detected and corrected during the audit process.

We recommend that Council implement additional procedures to identify federal grants and include them on the annual Schedule of Expenditures of Federal Awards. Management should contact the various granting agencies and request documentation for all grant activity to confirm activity.

Management's Response: See Corrective Action Plan.

VILLAGE OF NAVARRE
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
December 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness: Fund balance classification and recording of transactions.	Not Corrected	Repeated as Finding 2017-001

**VILLAGE OF NAVARRE
STARK COUNTY**

**CORRECTIVE ACTION PLAN – Prepared by Management
For the Year Ended December 31, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Management plans to use more care in completing the financial statements in the future and will review all postings prior to filing in the future.	Immediately	Anne Johnson, Clerk/Treasurer
2017-002	Management will monitor appropriations and estimated resources during the year and update estimated receipts and appropriations as necessary.	Immediately	Anne Johnson, Clerk/Treasurer
2017-003	Management will create and utilize the written internal control policies in compliance with Uniform Guidance requirements before receiving any additional federal grant funds.	Immediately	Anne Johnson, Clerk/Treasurer
2017-004	Management will develop internal controls to ensure that the Schedule of Expenditures of Federal Awards is completed in accordance with a federal requirements.	Immediately	Anne Johnson, Clerk/Treasurer



Dave Yost • Auditor of State

VILLAGE OF NAVARRE

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
OCTOBER 9, 2018