



**VILLAGE OF NAVARRE
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NAVARRE
STARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Navarre
Stark County
27 Canal Street West
Navarre, Ohio 44662

To the Village Council:

We have audited the accompanying financial statements of the Village of Navarre, Stark County, (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 21, 2002

**VILLAGE OF NAVARRE
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$49,978	\$77,745	\$0	\$520,386	\$648,109
Intergovernmental	114,906	115,545			230,451
Charges for Services	1,719				1,719
Fines, Licenses, and Permits	904	882			1,786
Earnings on Investments	52,674	751			53,425
Miscellaneous	39,217	6,421			45,638
Total Cash Receipts	<u>259,398</u>	<u>201,344</u>	<u>0</u>	<u>520,386</u>	<u>981,128</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	353,579	4,220			357,799
Public Health Services	4,516				4,516
Leisure Time Activities	14,662				14,662
Community Environment	3,701			2,361	6,062
Transportation		208,464			208,464
General Government	178,913			4,824	183,737
Capital Outlay	110,302	42,137	116,624		269,063
Total Cash Disbursements	<u>665,673</u>	<u>254,821</u>	<u>116,624</u>	<u>7,185</u>	<u>1,044,303</u>
Total Receipts Over/(Under) Disbursements	<u>(406,275)</u>	<u>(53,477)</u>	<u>(116,624)</u>	<u>513,201</u>	<u>(63,175)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	303,000	135,000	62,000		500,000
Transfers-Out				(500,000)	(500,000)
Other Uses				(7,090)	(7,090)
Total Other Financing Receipts/(Disbursements)	<u>303,000</u>	<u>135,000</u>	<u>62,000</u>	<u>(507,090)</u>	<u>(7,090)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(103,275)</u>	<u>81,523</u>	<u>(54,624)</u>	<u>6,111</u>	<u>(70,265)</u>
Fund Cash Balances, January 1	<u>204,489</u>	<u>174,994</u>	<u>288,366</u>	<u>10,690</u>	<u>678,539</u>
Fund Cash Balances, December 31	<u><u>\$101,214</u></u>	<u><u>\$256,517</u></u>	<u><u>\$233,742</u></u>	<u><u>\$16,801</u></u>	<u><u>\$608,274</u></u>
Reserves for Encumbrances, December 31	<u><u>\$33,017</u></u>	<u><u>\$0</u></u>	<u><u>\$81,778</u></u>	<u><u>\$0</u></u>	<u><u>\$114,795</u></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 CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$1,038,277	\$1,175	\$0	\$1,039,452
Operating Cash Disbursements:				
Personal Services	357,640			357,640
Contractual Services	160,824			160,824
Supplies and Materials	111,442			111,442
Capital Outlay	319,403			319,403
Total Operating Cash Disbursements	949,309	0	0	949,309
Operating Income	88,968	1,175	0	90,143
Non-Operating Cash Receipts:				
Property Tax and Other Local Taxes			77,745	77,745
Earnings on Investments	4,950		7,252	12,202
Total Non-Operating Cash Receipts	4,950	0	84,997	89,947
Non-Operating Cash Disbursements:				
Debt Service	71,439			71,439
Excess of Receipts Over Disbursements	22,479	1,175	84,997	108,651
Fund Cash Balances, January 1	745,927	109,665	157,756	1,013,348
Fund Cash Balances, December 31	\$768,406	\$110,840	\$242,753	\$1,121,999
Reserve for Encumbrances, December 31	\$165,819	\$0	\$0	\$165,819

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 CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$41,539	\$68,920	\$0	\$511,069	\$621,528
Intergovernmental	88,294	90,920			179,214
Charges for Services	447				447
Fines, Licenses, and Permits	869	1,446			2,315
Earnings on Investments	68,964	1,666			70,630
Miscellaneous	85,429	6,164			91,593
Total Cash Receipts	<u>285,542</u>	<u>169,116</u>	<u>0</u>	<u>511,069</u>	<u>965,727</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	354,881	4,785			359,666
Public Health Services	4,021				4,021
Leisure Time Activities	13,014				13,014
Community Environment	3,054			1,813	4,867
Transportation		183,820			183,820
General Government	160,377			4,387	164,764
Capital Outlay	41,747	58,974	159,402		260,123
Total Cash Disbursements	<u>577,094</u>	<u>247,579</u>	<u>159,402</u>	<u>6,200</u>	<u>990,275</u>
Total Receipts Over/(Under) Disbursements	<u>(291,552)</u>	<u>(78,463)</u>	<u>(159,402)</u>	<u>504,869</u>	<u>(24,548)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	343,700	83,470	73,830		501,000
Transfers-Out			(10,000)	(491,000)	(501,000)
Other Uses				(11,381)	(11,381)
Total Other Financing Receipts/(Disbursements)	<u>343,700</u>	<u>83,470</u>	<u>63,830</u>	<u>(502,381)</u>	<u>(11,381)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>52,148</u>	<u>5,007</u>	<u>(95,572)</u>	<u>2,488</u>	<u>(35,929)</u>
Fund Cash Balances January 1	<u>152,341</u>	<u>169,987</u>	<u>383,938</u>	<u>8,202</u>	<u>714,468</u>
Fund Cash Balances, December 31	<u><u>\$204,489</u></u>	<u><u>\$174,994</u></u>	<u><u>\$288,366</u></u>	<u><u>\$10,690</u></u>	<u><u>\$678,539</u></u>
Reserves for Encumbrances, December 31	<u><u>\$435</u></u>	<u><u>\$825</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,260</u></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 CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$948,517	\$975	\$0	\$949,492
Operating Cash Disbursements:				
Personal Services	315,165			315,165
Contractual Services	132,281			132,281
Supplies and Materials	117,988			117,988
Capital Outlay	143,697		58,114	201,811
Total Operating Cash Disbursements	709,131	0	58,114	767,245
Operating Income/(Loss)	239,386	975	(58,114)	182,247
Non-Operating Cash Receipts:				
Property Tax and Other Local Taxes			68,920	68,920
Earnings on Investments	6,666		7,589	14,255
Total Non-Operating Cash Receipts	6,666	0	76,509	83,175
Non-Operating Cash Disbursements:				
Debt Service	84,373			84,373
Excess of Receipts Over Disbursements	161,679	975	18,395	181,049
Fund Cash Balances, January 1	584,248	108,690	139,361	832,299
Fund Cash Balances, December 31	\$745,927	\$109,665	\$157,756	\$1,013,348
Reserve for Encumbrances, December 31	\$133,500	\$0	\$0	\$133,500

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

**VILLAGE OF NAVARRE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village invests in certificates of deposit and overnight repurchase agreements which are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF NAVARRE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

NEDD Fund - This fund receives a portion of income tax revenue which is used to pay for infrastructure projects.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village has the following significant Capital Projects Fund:

Capital Projects Fund - This fund receives a portion of income tax revenue which is used to pay for capital equipment purchases.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following significant fiduciary fund:

Income Tax Fund - This expendable trust fund is used to record the collection of self-assessed taxes, the cost of collecting such taxes and the distribution to various other funds in accordance with Village ordinances.

**VILLAGE OF NAVARRE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF NAVARRE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2001	2000
Demand deposits	\$ (12,643)	\$ (25,873)
Certificates of deposit	110,715	109,365
Total deposits	98,072	83,492
Repurchase agreements	1,632,201	1,608,359
Total deposits and investments	\$1,730,273	\$1,691,887

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$654,752	\$562,398	(\$92,354)
Special Revenue	325,551	336,344	10,793
Capital Projects	107,001	62,000	(45,001)
Enterprise	1,321,323	1,043,227	(278,096)
Fiduciary	600,999	606,558	5,559
Total	\$3,009,626	\$2,610,527	(\$399,099)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$835,110	\$698,690	\$136,420
Special Revenue	500,544	254,821	245,723
Capital Projects	395,367	198,402	196,965
Enterprise	2,098,968	1,186,567	912,401
Fiduciary	871,524	514,275	357,249
Total	\$4,701,513	\$2,852,755	\$1,848,758

**VILLAGE OF NAVARRE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$577,618	\$629,242	\$51,624
Special Revenue	247,924	252,586	4,662
Capital Projects	77,000	73,830	(3,170)
Enterprise	1,060,800	955,183	(105,617)
Fiduciary	588,600	588,553	(47)
Total	\$2,551,942	\$2,499,394	(\$52,548)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$727,782	\$577,529	\$150,253
Special Revenue	363,057	248,404	114,653
Capital Projects	460,939	169,402	291,537
Enterprise	1,616,243	927,004	689,239
Fiduciary	789,179	566,695	222,484
Total	\$3,957,200	\$2,489,034	\$1,468,166

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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.

**VILLAGE OF NAVARRE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. LOCAL INCOME TAX (Continued)

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$47,836	0.00%
Mortgage Revenue Bonds - Sewer	310,000	8.25%
Total	\$357,836	

The Village obtained an Ohio Public Works Commission project loan for the purpose of improving the municipal water system. This loan will be repaid in semiannual installments with no interest, over 20 years. The Village obtained the sewer bonds for the purpose of constructing a sewer treatment plant. These bonds will be repaid in annual installments over 20 years.

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

Year ending December 31:	OPWC Loan	Mortgage Revenue Bonds
2002	\$2,392	\$65,575
2003	4,784	67,275
2004	4,784	68,562
2005	4,784	69,438
2006	4,784	69,900
2007 - 2011	23,920	64,950
2012	2,388	0
Total	\$47,836	\$405,700

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF NAVARRE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Boilers;
- Comprehensive property and general liability;
- Vehicles;
- Commercial inland marine;
- General liability;
- Public officials' liability;
- Employer's liability;
- Employee benefits liability; and
- Cemetery liability.

The Village also provides health insurance to full-time employees through Medical Mutual of Ohio Benefit Plan, dental and vision coverage through Professional Claims Management, and life insurance through Medical Life.

9. DEBT SERVICE TRUSTEED FUNDS

The Sewer System Mortgage Revenue Bonds, Series 1987, debt agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2001, the custodian held \$69,979 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

10. 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.

**VILLAGE OF NAVARRE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS

- A. Stark Council of Governments (Council) The Village participates in the Council which is a 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 over the operation of the Council including appropriating, contracting and designating management.
- B. Stark County Regional Planning Commission (Commission) The Village participates in the Commission which is a statutorily created political 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.

12. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 135.21, investment earnings were allocated to the following funds:

<u>Funds</u>	<u>2001</u>	<u>2000</u>
Water Fund	\$ 13,065	\$ 10,640
Sewer Fund	8,251	10,000
Sewer Replacement and Improvement Fund	5,895	11,079

Additionally, contrary to Ohio Revised Code Section 135.21, the following investment earnings were not credited to the Village's custodial fund:

<u>Fund</u>	<u>2001</u>	<u>2000</u>
JEDD Fund	\$7,251	\$7,589

Adjustments have been properly made to the Village's accounting system and are reflected within the financial statements.

13. CONTINGENT LIABILITIES

The Village is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Navarre
Stark County
27 Canal Street West
Navarre, Ohio 44662

To the Village Council:

We have audited the accompanying financial statements of the Village of Navarre, Stark County, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 21, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-31276-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 21, 2002.

Village of Navarre
Stark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

March 21, 2002

**VILLAGE OF NAVARRE
STARK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-31276-001

Noncompliance Citation

Ohio Rev. Code Section 135.21 states, in part, all investment earnings, except as otherwise expressly provided by law, are to be credited to the general fund of the municipal corporation.

a) The Village earned interest totaling \$65,627 and \$84,885 during 2001 and 2000, respectively. Of these amounts, interest of \$27,211 and \$31,719 in 2001 and 2000, respectively, was allocated to the following funds contrary to Ohio Revised Code requirements.

Funds	<u>2001</u>	<u>2000</u>
Water Fund	\$13,065	\$10,640
Sewer Fund	8,251	10,000
Sewer Replacement and Improvement Fund	<u>5,895</u>	<u>11,079</u>
Total	<u>\$27,211</u>	<u>\$31,719</u>

As a result, receipts were understated in the General Fund and overstated by the above amounts in the Water, Sewer and Sewer Replacement and Improvement Funds.

b) Additionally, **Ohio Rev. Code Section 135.21**, states, in part, that investment earnings from moneys held as custodial funds be apportioned among and credited to the funds to which the principal sums of deposits or investments belong.

The Village, acting as fiscal agent for the Perry-Navarre Joint Economic Development District (JEDD), invests the JEDD's principal as part of the Village's pooled cash and investment. Therefore, the JEDD is entitled to its proportionate share of investment earnings. The Village did not apportion any investment earnings to the JEDD in 2001 or 2000. The JEDD should have received investment earnings of approximately \$7,251 and \$7,589 in 2001 and 2000, respectively.

Adjustments have been properly made to the Village's accounting system and are reflected within the accompanying financial statements. If the Village's intent is to allocate investment earnings to the Water Fund, Sewer Fund and Sewer Replacement and Improvement Fund, this can be accomplished by recording the initial earnings in the General Fund and then transferring the allocated amounts to the respective funds in accordance with Ohio Rev. Code requirements/City ordinances.



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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
MAY 9, 2002**