

VILLAGE OF NAVARRE

STARK COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2005 and 2004

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



**Auditor of State
Betty Montgomery**

Village Council
Village of Navarre
27 Canal Street W
Navarre, Ohio 44662

We have reviewed the *Report of Independent Accountants* of the Village of Navarre, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 6, 2006

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STARK COUNTY
AUDIT REPORT
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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

**The Honorable Mayor
and Village Council
Village of Navarre
Navarre, Ohio**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Navarre, Stark County, Ohio, (the Village), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Navarre, Stark County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, the Street Maintenance Fund, the NEDD Fund, and the Income Tax Fund, thereof for the years then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis on pages 3 to 11 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
May 5, 2006

Village of Navarre, Stark County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of the Village of Navarre's financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$1,194, or 0.15 percent in 2005 and \$4,105 or 0.52 percent in 2004, a slight change from the prior years.

The Village's general receipts are primarily property and income taxes. These receipts represent 36.80 percent for 2005 and 39.63 percent for 2004 of the total cash received for governmental activities. Property and income tax receipts for 2005 changed very little compared to 2004 as development within the Village has slowed.

The Business-Type activities show an increase of \$136,403 or 14.03 percent in 2005, and an increase of \$63,793 or 7.02 percent in 2004 from the previous year due to a utility rate increase that was approved by Council.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Navarre, Stark County
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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The major business-type activities are for the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Village of Navarre, Stark County
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Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Maintenance Fund, NEDD Fund and Income Tax Fund.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the water fund and the sewer fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on the cash basis. Since this is the first year the Village has reported on this method, there are no comparisons to 2003.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	\$ 789,748	\$ 790,942	\$ 1,108,639	\$ 972,236	\$ 1,898,387	\$ 1,763,178
Total Assets	<u>\$ 789,748</u>	<u>\$ 790,942</u>	<u>\$ 1,108,639</u>	<u>\$ 972,236</u>	<u>\$ 1,898,387</u>	<u>\$ 1,763,178</u>
Net Assets						
Restricted for:						
Capital Projects	\$ 253,709	\$ 235,183	-	-	\$ 253,709	\$ 235,183
Permanent Fund - Cemetery Endowment:						
Nonexpendable	114,740	114,215	-	-	114,740	114,215
Other Purposes	286,646	326,896	-	-	286,646	326,896
Unrestricted	134,653	114,648	\$ 1,108,639	\$ 972,236	1,243,292	1,086,884
Total Net Assets	<u>\$ 789,748</u>	<u>\$ 790,942</u>	<u>\$ 1,108,639</u>	<u>\$ 972,236</u>	<u>\$ 1,898,387</u>	<u>\$ 1,763,178</u>

As mentioned previously, net assets of governmental activities decreased \$1,194 or 0.15 percent during 2005, and \$4,105 or 0.52 percent in 2004. The primary reasons contributing to the decreases in cash balances are the unanticipated slow growth in local tax receipts and increases in salaries.

Net assets of Business-Type activities increased \$136,403 or 14.03 percent in 2005 and increased \$63,793 or 7.02 in 2004, mainly due to an increase in charges for services.

Village of Navarre, Stark County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
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Table 2 and 3 reflect the changes in net assets in 2005 and 2004 respectively. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 53,970	\$ 952,276	\$ 1,006,246
Operating Grants and Contributions	83,277	-	83,277
Total Program Receipts	<u>137,247</u>	<u>952,276</u>	<u>1,089,523</u>
General Receipts:			
Property and Other Local Taxes	78,282	-	78,282
Income Taxes	701,987	-	701,987
Grants and Entitlements Not Restricted to Specific Programs	191,437	-	191,437
Interest	40,050	-	40,050
Miscellaneous	19,149	22,603	41,752
Total General Receipts	<u>1,030,905</u>	<u>22,603</u>	<u>1,053,508</u>
Total Receipts	<u>1,168,152</u>	<u>974,879</u>	<u>2,143,031</u>
Disbursements:			
General Government	206,362	-	206,362
Security of Persons and Property:	400,557	-	400,557
Leisure Time Activities	16,603	-	16,603
Community Environment	4,099	-	4,099
Transportation	206,963	-	206,963
Capital Outlay	334,762	-	334,762
Water	-	298,021	298,021
Sewer	-	429,463	429,463
Other Enterprise Funds	-	110,992	110,992
Total Disbursements	<u>1,169,346</u>	<u>838,476</u>	<u>2,007,822</u>
Increase (Decrease) in Net Assets	(1,194)	136,403	135,209
Net Assets, January 1, 2005	790,942	972,236	1,763,178
Net Assets, December 31, 2005	<u>\$ 789,748</u>	<u>\$ 1,108,639</u>	<u>\$ 1,898,387</u>

Village of Navarre, Stark County
Management's Discussion and Analysis
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(Table 3)
Changes in Net Assets

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 52,738	\$ 839,157	\$ 891,895
Operating Grants and Contributions	81,678	-	81,678
Total Program Receipts	<u>134,416</u>	<u>839,157</u>	<u>973,573</u>
General Receipts:			
Property and Other Local Taxes	72,024	-	72,024
Income Taxes	693,597	-	693,597
Grants and Entitlements Not Restricted to Specific Programs	101,922	-	101,922
Interest	24,437	-	24,437
Miscellaneous	66,539	21,912	88,451
Total General Receipts	<u>958,519</u>	<u>21,912</u>	<u>980,431</u>
Total Receipts	<u>1,092,935</u>	<u>861,069</u>	<u>1,954,004</u>
Disbursements:			
General Government	181,828	-	181,828
Security of Persons and Property:	393,255	-	393,255
Public Health Services	675	-	675
Leisure Time Activities	17,885	-	17,885
Community Environment	4,152	-	4,152
Transportation	200,163	-	200,163
Capital Outlay	299,082	-	299,082
Water	-	289,616	289,616
Sewer	-	398,075	398,075
Other Enterprise Funds	-	109,585	109,585
Total Disbursements	<u>1,097,040</u>	<u>797,276</u>	<u>1,894,316</u>
Increase (Decrease) in Net Assets	(4,105)	63,793	59,688
Net Assets, January 1, 2004	<u>795,047</u>	<u>908,443</u>	<u>1,703,490</u>
Net Assets, December 31, 2004	<u>\$ 790,942</u>	<u>\$ 972,236</u>	<u>\$ 1,763,178</u>

Program receipts represent 51.38 percent in 2005 and 50.38 percent in 2004 of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, and charges for services.

General receipts represent 48.62 percent in 2005 and 49.61 percent in 2004 of the Village's total receipts, and of this amount, over 75.69 percent in 2005 and 79.88 percent in 2004 are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts, 18.88 percent in 2005 and 10.93 percent in 2004. Other receipts are insignificant and somewhat unpredictable revenue sources.

In the Business-Type activities, program receipts account for 97.68 percent and 97.46 percent of the total business-type receipts in 2005 and 2004 and are also primarily comprised of charges for services (i.e. water and sewer charges).

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Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

The disbursements of the Water fund are for the purposes of maintaining water lines; treatment of the water; and paying for wages of the department. The disbursements of the Sewer fund are for the purposes of maintaining sewer lines and paying for wages of the department. The disbursements of the other funds within the Business-Type activities are similar in nature to the Water and Sewer funds.

Governmental Activities

If you look at the Statement of Activities on page 13 and 24, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and capital outlay, which account for 34.25 and 28.63 percent of all governmental disbursements in 2005 and 35.85 and 27.26 percent of all governmental disbursements in 2004. Transportation also represents a significant cost, about 17.70 and 18.25 percent in 2005 and 2004, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 4.

Village of Navarre, Stark County
Management's Discussion and Analysis
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(Table 4)

	Governmental Activities		Business-Type Activities	
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2005	2005	2005	2005
General Government	\$ 206,362	\$ (153,702)	-	-
Security of Persons and Property	400,557	(399,247)	-	-
Leisure Time Activities	16,603	(16,603)	-	-
Community Environment	4,099	(4,099)	-	-
Transportation	206,963	(123,686)	-	-
Capital Outlay	334,762	(334,762)	-	-
Water	-	-	\$ 298,021	\$ 114,868
Sewer	-	-	429,463	93,074
Other Enterprise Funds	-	-	110,992	(94,142)
Total Expenses	\$ 1,169,346	\$ (1,032,099)	\$ 838,476	\$ 113,800

	Governmental Activities		Business-Type Activities	
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2004	2004	2004	2004
General Government	\$ 181,828	\$ (129,090)	-	-
Security of Persons and Property	393,255	(393,255)	-	-
Public Health Services	675	(675)	-	-
Leisure Time Activities	17,885	(17,885)	-	-
Community Environment	4,152	(4,152)	-	-
Transportation	200,163	(118,485)	-	-
Capital Outlay	299,082	(299,082)	-	-
Water	-	-	\$ 289,616	\$ 48,005
Sewer	-	-	398,075	88,186
Other Enterprise Funds	-	-	109,585	(94,310)
Total Expenses	\$ 1,097,040	\$ (962,624)	\$ 797,276	\$ 41,881

The dependence upon property and income tax receipts is apparent as over 88.26 percent in 2005 and over 87.75 percent in 2004 of governmental activities are supported through these general receipts.

Business-type Activities

The dependence upon program revenues is apparent as 100 percent of Business-Type activities are supported through these receipts for both 2005 and 2004.

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The Village's Funds

Total governmental funds had receipts of \$1.17 million and 1.09 million in 2005 and 2004, and disbursements of \$1.17 million and 1.10 million in 2005 and 2004. The greatest change within governmental funds occurred within the NEDD Fund for both years. The fund balance of the General Fund increased \$20,005 in 2005 and decreased \$20,313 as the result of increased costs for salaries and benefits and not achieving anticipated growth in income and property tax receipts.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General Fund, Street Maintenance Fund, NEDD Fund and Income Tax Fund.

During 2005 and 2004, the Village amended its General Fund, Street Maintenance Fund, NEDD Fund and Income Tax Fund budgets several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

For the General Fund, final disbursements were budgeted at \$1.02 million while actual disbursements were \$0.77 million in 2005. Final disbursements were budgeted at \$0.84 million while actual disbursements were \$0.75 million in 2004. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$15,642 for 2005 and a decrease of \$32,513 for 2004.

For the Street Maintenance Fund, final disbursements were budgeted at \$0.29 million while actual disbursements were \$0.24 million in 2005. Final disbursements were budgeted at \$0.26 million while actual disbursements were \$0.20 million in 2004. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$10,431 for 2005 and a increase of \$27,643 for 2004.

For the NEDD Fund, final disbursements were budgeted at \$0.34 million while actual disbursements were \$0.14 million in 2005. Final disbursements were budgeted at \$0.33 million while actual disbursements were \$0.25 million in 2004. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$27,178 for 2005 and \$133,096 for 2004.

For the Income Tax Fund, final disbursements were budgeted at \$0.60 million same as actual disbursements of \$0.60 million in 2005. Final disbursements were budgeted at \$0.59 million similar to actual disbursements of \$0.58 million in 2004. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$3,864 for 2005 and an increase of \$1,760 for 2004.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Village of Navarre, Stark County
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Debt

At December 31, 2005, the Village's outstanding debt included \$28,701 in Ohio Public Works Commission project loan issued for improvements to the municipal water system, and \$120,000 in sewer bonds for constructing a sewer treatment plant. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Village relies heavily on local taxes and intergovernmental revenues to provide safe and secure neighborhoods through our Police Department and trained and qualified firemen for our Fire Department.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mary Ann Heestand, Clerk-Treasurer, 27 Canal Street West, Navarre, Ohio 44662.

Village of Navarre, Stark County

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 789,748	\$ 1,108,639	\$ 1,898,387
<i>Total Assets</i>	<u>\$ 789,748</u>	<u>\$ 1,108,639</u>	<u>\$ 1,898,387</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 253,709	-	\$ 253,709
Permanent Fund - Cemetery Endowment			
Nonexpendable	114,740	-	114,740
Other Purposes	286,646	-	286,646
Unrestricted	<u>134,653</u>	<u>\$ 1,108,639</u>	<u>1,243,292</u>
<i>Total Net Assets</i>	<u>\$ 789,748</u>	<u>\$ 1,108,639</u>	<u>\$ 1,898,387</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
General Government	\$ 206,362	\$ 52,660	-	\$ (153,702)	-	\$ (153,702)
Security of Persons and Property	400,557	1,310	-	(399,247)	-	(399,247)
Leisure Time Activities	16,603	-	-	(16,603)	-	(16,603)
Community Environment	4,099	-	-	(4,099)	-	(4,099)
Transportation	206,963	-	\$ 83,277	(123,686)	-	(123,686)
Capital Outlay	334,762	-	-	(334,762)	-	(334,762)
<i>Total Governmental Activities</i>	1,169,346	53,970	83,277	(1,032,099)	-	(1,032,099)
Business Type Activities						
Water	298,021	412,889	-	-	114,868	114,868
Sewer	429,463	522,537	-	-	93,074	93,074
Other Enterprise Funds	110,992	16,850	-	-	(94,142)	(94,142)
<i>Total Business Type Activities</i>	838,476	952,276	-	-	113,800	113,800
Total	<u>\$ 2,007,822</u>	<u>\$ 1,006,246</u>	<u>\$ 83,277</u>	<u>(1,032,099)</u>	<u>113,800</u>	<u>(918,299)</u>
General Receipts						
Property Taxes Levied for:						
General Purposes				\$ 78,282	-	\$ 78,282
Municipal Income Taxes				701,987	-	701,987
Grants and Entitlements not Restricted to Specific Programs				191,437	-	191,437
Interest				40,050	-	40,050
Miscellaneous				19,149	\$ 22,603	41,752
<i>Total General Receipts</i>				<u>1,030,905</u>	<u>22,603</u>	<u>1,053,508</u>
Change in Net Assets				(1,194)	136,403	135,209
<i>Net Assets Beginning of Year</i>				<u>790,942</u>	<u>972,236</u>	<u>1,763,178</u>
<i>Net Assets End of Year</i>				<u>\$ 789,748</u>	<u>\$ 1,108,639</u>	<u>\$ 1,898,387</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Street Maintenance Fund	NEDD Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 134,653	\$ 67,035	\$ 193,016	\$ 14,028	\$ 381,016	\$ 789,748
<i>Total Assets</i>	<u>\$ 134,653</u>	<u>\$ 67,035</u>	<u>\$ 193,016</u>	<u>\$ 14,028</u>	<u>\$ 381,016</u>	<u>\$ 789,748</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$ 4,363	-	-	-	\$ 12,794	\$ 17,157
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	130,290	-	-	-	-	130,290
Special Revenue Funds	-	\$ 67,035	\$ 193,016	\$ 14,028	12,567	286,646
Capital Projects Funds	-	-	-	-	240,915	240,915
Permanent Fund	-	-	-	-	114,740	114,740
<i>Total Fund Balances</i>	<u>\$ 134,653</u>	<u>\$ 67,035</u>	<u>\$ 193,016</u>	<u>\$ 14,028</u>	<u>\$ 381,016</u>	<u>\$ 789,748</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2005

	General	Street Maintenance Fund	NEDD Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	-	-	\$ 114,807	\$ 587,180	-	\$ 701,987
Property and Other Local Taxes	\$ 78,282	-	-	-	-	78,282
Charges for Services	51,730	-	-	-	-	51,730
Fines, Licenses and Permits	930	-	-	-	\$ 1,310	2,240
Intergovernmental	194,592	\$ 77,043	-	-	3,079	274,714
Interest	34,575	2,320	-	-	3,155	40,050
Miscellaneous	17,418	569	-	-	1,162	19,149
<i>Total Receipts</i>	<u>377,527</u>	<u>79,932</u>	<u>114,807</u>	<u>587,180</u>	<u>8,706</u>	<u>1,168,152</u>
Disbursements						
Current:						
General Government	155,901	-	24,417	26,044	-	206,362
Security of Persons and Property	398,193	-	-	-	2,364	400,557
Leisure Time Activities	16,603	-	-	-	-	16,603
Community Environment	4,099	-	-	-	-	4,099
Transportation	-	201,368	-	-	5,595	206,963
Capital Outlay	52,726	42,995	117,568	-	121,473	334,762
<i>Total Disbursements</i>	<u>627,522</u>	<u>244,363</u>	<u>141,985</u>	<u>26,044</u>	<u>129,432</u>	<u>1,169,346</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(249,995)	(164,431)	(27,178)	561,136	(120,726)	(1,194)
Other Financing Sources (Uses)						
Transfers In	411,000	154,000	-	-	141,000	706,000
Transfers Out	(141,000)	-	-	(565,000)	-	(706,000)
<i>Total Other Financing Sources (Uses)</i>	<u>270,000</u>	<u>154,000</u>	<u>-</u>	<u>(565,000)</u>	<u>141,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	20,005	(10,431)	(27,178)	(3,864)	20,274	(1,194)
<i>Fund Balances Beginning of Year</i>	<u>114,648</u>	<u>77,466</u>	<u>220,194</u>	<u>17,892</u>	<u>360,742</u>	<u>790,942</u>
<i>Fund Balances End of Year</i>	<u>\$ 134,653</u>	<u>\$ 67,035</u>	<u>\$ 193,016</u>	<u>\$ 14,028</u>	<u>\$ 381,016</u>	<u>\$ 789,748</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 78,006	\$ 78,006	\$ 78,282	\$ 276
Charges for Services	50,840	61,037	51,730	(9,307)
Fines, Licenses and Permits	914	1,097	930	(167)
Intergovernmental	191,244	229,601	194,592	(35,009)
Interest	33,980	40,795	34,575	(6,220)
Miscellaneous	17,118	20,552	17,418	(3,134)
<i>Total receipts</i>	<u>372,102</u>	<u>431,088</u>	<u>377,527</u>	<u>(53,561)</u>
Disbursements				
Current:				
General Government	184,695	214,130	155,901	58,229
Security of Persons and Property	471,738	546,917	402,556	144,361
Leisure Time Activities	19,670	22,804	16,603	6,201
Community Environment	4,856	5,630	4,099	1,531
Capital Outlay	62,464	72,419	52,726	19,693
<i>Total Disbursements</i>	<u>743,423</u>	<u>861,900</u>	<u>631,885</u>	<u>230,015</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(371,321)	(430,812)	(254,358)	176,454
Other Financing Sources (Uses)				
Transfers In	403,928	484,942	411,000	(73,942)
Transfers Out	(135,055)	(156,579)	(141,000)	15,579
<i>Total Other Financing Sources (Uses)</i>	<u>268,873</u>	<u>328,363</u>	<u>270,000</u>	<u>(58,363)</u>
<i>Net Change in Fund Balance</i>	(102,448)	(102,449)	15,642	118,091
<i>Fund Balance Beginning of Year</i>	102,448	102,448	102,448	-
Prior Year Encumbrances Appropriated	12,200	12,200	12,200	-
<i>Fund Balance End of Year</i>	<u>\$ 12,200</u>	<u>\$ 12,199</u>	<u>\$ 130,290</u>	<u>\$ 118,091</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Maintenance Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 71,500	\$ 71,500	\$ 77,043	\$ 5,543
Interest	2,153	2,153	2,320	167
Miscellaneous	528	528	569	41
<i>Total receipts</i>	<u>74,181</u>	<u>74,181</u>	<u>79,932</u>	<u>5,751</u>
Disbursements				
Current:				
Transportation	242,738	242,738	201,368	41,370
Capital Outlay	51,828	51,828	42,995	8,833
<i>Total Disbursements</i>	<u>294,566</u>	<u>294,566</u>	<u>244,363</u>	<u>50,203</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(220,385)	(220,385)	(164,431)	55,954
Other Financing Sources (Uses)				
Transfers In	142,919	142,919	154,000	11,081
<i>Net Change in Fund Balance</i>	(77,466)	(77,466)	(10,431)	67,035
<i>Fund Balance Beginning of Year</i>	<u>77,466</u>	<u>77,466</u>	<u>77,466</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,035</u>	<u>\$ 67,035</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
NEDD Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$117,000	\$117,000	\$114,807	(\$2,193)
<i>Total receipts</i>	<u>117,000</u>	<u>117,000</u>	<u>114,807</u>	<u>(2,193)</u>
Disbursements				
Current:				
General Government	46,597	57,987	24,417	33,570
Capital Outlay	224,366	279,207	117,568	161,639
<i>Total Disbursements</i>	<u>270,963</u>	<u>337,194</u>	<u>141,985</u>	<u>195,209</u>
<i>Net Change in Fund Balance</i>	(153,963)	(220,194)	(27,178)	193,016
<i>Fund Balance Beginning of Year</i>	153,963	153,963	153,963	-
Prior Year Encumbrances Appropriated	<u>66,231</u>	<u>66,231</u>	<u>66,231</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 66,231</u>	<u>\$ -</u>	<u>\$ 193,016</u>	<u>\$ 193,016</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$580,000	\$580,000	\$587,180	\$7,180
<i>Total receipts</i>	<u>580,000</u>	<u>580,000</u>	<u>587,180</u>	<u>7,180</u>
Disbursements				
Current:				
General Government	26,346	26,346	26,044	302
<i>Total Disbursements</i>	<u>26,346</u>	<u>26,346</u>	<u>26,044</u>	<u>302</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	553,654	553,654	561,136	7,482
Other Financing Sources (Uses)				
Transfers Out	(571,546)	(571,546)	(565,000)	6,546
<i>Total Other Financing Sources (Uses)</i>	<u>(571,546)</u>	<u>(571,546)</u>	<u>(565,000)</u>	<u>6,546</u>
<i>Net Change in Fund Balance</i>	(17,892)	(17,892)	(3,864)	14,028
<i>Fund Balance Beginning of Year</i>	17,492	17,492	17,492	-
Prior Year Encumbrances Appropriated	400	400	400	-
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,028</u>	<u>\$ 14,028</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities			Total
	Water	Sewer	Other Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$806,617	\$176,173	\$125,849	\$1,108,639
<i>Total Assets</i>	<u>\$806,617</u>	<u>\$176,173</u>	<u>\$125,849</u>	<u>\$1,108,639</u>
Net Assets				
Unrestricted	<u>\$806,617</u>	<u>\$176,173</u>	<u>\$125,849</u>	<u>\$1,108,639</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Other Enterprise Funds	
Operating Receipts				
Charges for Services	\$ 412,889	\$ 522,537	\$ 16,850	\$ 952,276
Other Operating Receipts	4,000	3,793	9,135	16,928
<i>Total Operating Receipts</i>	<u>416,889</u>	<u>526,330</u>	<u>25,985</u>	<u>969,204</u>
Operating Disbursements				
Personal Services	188,610	223,852	16,791	429,253
Contractual Services	38,660	102,146	4,236	145,042
Materials and Supplies	47,312	52,090	12,004	111,406
Capital Outlay	23,439	51,375	500	75,314
<i>Total Operating Disbursements</i>	<u>298,021</u>	<u>429,463</u>	<u>33,531</u>	<u>761,015</u>
<i>Operating Income (Loss)</i>	118,868	96,867	(7,546)	208,189
Non-Operating Receipts/ (Disbursements)				
Redemption of Principal	-	-	(59,784)	(59,784)
Interest and Other Fiscal Charges	-	-	(15,457)	(15,457)
Other Financing Sources	-	-	5,675	5,675
Other Financing Uses	-	-	(2,220)	(2,220)
<i>Income (Loss) before Transfers</i>	118,868	96,867	(79,332)	136,403
Transfers In	-	-	96,241	96,241
Transfers Out	(2,392)	(93,849)	-	(96,241)
<i>Change in Net Assets</i>	116,476	3,018	16,909	136,403
<i>Net Assets Beginning of Year</i>	<u>690,141</u>	<u>173,155</u>	<u>108,940</u>	<u>972,236</u>
<i>Net Assets End of Year</i>	<u>\$ 806,617</u>	<u>\$ 176,173</u>	<u>\$ 125,849</u>	<u>\$ 1,108,639</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$709,521</u>
Net Assets	
Unrestricted	<u>\$709,521</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County

Statement of Net Assets - Cash Basis

December 31, 2004

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 790,942	\$ 972,236	\$ 1,763,178
<i>Total Assets</i>	<u>\$ 790,942</u>	<u>\$ 972,236</u>	<u>\$ 1,763,178</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 235,183	-	\$ 235,183
Permanent Fund - Cemetery Endowment			
Nonexpendable	114,215	-	114,215
Other Purposes	326,896	-	326,896
Unrestricted	<u>114,648</u>	<u>\$ 972,236</u>	<u>1,086,884</u>
<i>Total Net Assets</i>	<u>\$ 790,942</u>	<u>\$ 972,236</u>	<u>\$ 1,763,178</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
General Government	\$ 181,828	\$ 52,738	-	\$ (129,090)	-	\$ (129,090)
Security of Persons and Property	393,255	-	-	(393,255)	-	(393,255)
Public Health Services	675	-	-	(675)	-	(675)
Leisure Time Activities	17,885	-	-	(17,885)	-	(17,885)
Community Environment	4,152	-	-	(4,152)	-	(4,152)
Transportation	200,163	-	\$ 81,678	(118,485)	-	(118,485)
Capital Outlay	299,082	-	-	(299,082)	-	(299,082)
<i>Total Governmental Activities</i>	1,097,040	52,738	81,678	(962,624)	-	(962,624)
Business Type Activities						
Water	289,616	337,621	-	-	48,005	48,005
Sewer	398,075	486,261	-	-	88,186	88,186
Other Enterprise Funds	109,585	15,275	-	-	(94,310)	(94,310)
<i>Total Business Type Activities</i>	797,276	839,157	-	-	41,881	41,881
Total	<u>\$ 1,894,316</u>	<u>\$ 891,895</u>	<u>\$ 81,678</u>	(962,624)	41,881	(920,743)
General Receipts						
Property Taxes Levied for:						
General Purposes				\$ 72,024	-	\$ 72,024
Municipal Income Taxes				693,597	-	693,597
Grants and Entitlements not Restricted to						
Specific Programs				101,922	-	101,922
Interest				24,437	-	24,437
Miscellaneous				66,539	\$ 21,912	88,451
<i>Total General Receipts</i>				958,519	21,912	980,431
Change in Net Assets				(4,105)	63,793	59,688
<i>Net Assets Beginning of Year</i>				795,047	908,443	1,703,490
<i>Net Assets End of Year</i>				<u>\$ 790,942</u>	<u>\$ 972,236</u>	<u>\$ 1,763,178</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Street Maintenance Fund	NEDD Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 114,648	\$ 77,466	\$ 220,194	\$ 17,892	\$ 360,742	\$ 790,942
<i>Total Assets</i>	<u>\$ 114,648</u>	<u>\$ 77,466</u>	<u>\$ 220,194</u>	<u>\$ 17,892</u>	<u>\$ 360,742</u>	<u>\$ 790,942</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$ 12,200	-	\$ 66,231	\$ 400	-	\$ 78,831
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	102,448	-	-	-	-	102,448
Special Revenue Funds	-	\$ 77,466	153,963	17,492	\$ 11,344	260,265
Capital Projects Funds	-	-	-	-	235,183	235,183
Permanent Fund	-	-	-	-	114,215	114,215
<i>Total Fund Balances</i>	<u>\$ 114,648</u>	<u>\$ 77,466</u>	<u>\$ 220,194</u>	<u>\$ 17,892</u>	<u>\$ 360,742</u>	<u>\$ 790,942</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Maintenance Fund	NEDD Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	-	-	\$ 116,273	\$ 577,324	-	\$ 693,597
Property and Other Local Taxes	\$ 72,024	-	-	-	-	72,024
Charges for Services	47,184	-	-	-	-	47,184
Fines, Licenses and Permits	5,054	-	-	-	\$ 500	5,554
Intergovernmental	104,764	\$ 75,551	-	-	3,285	183,600
Interest	21,114	482	-	-	2,841	24,437
Miscellaneous	63,392	536	-	-	2,611	66,539
<i>Total Receipts</i>	<u>313,532</u>	<u>76,569</u>	<u>116,273</u>	<u>577,324</u>	<u>9,237</u>	<u>1,092,935</u>
Disbursements						
Current:						
General Government	166,429	-	235	15,164	-	181,828
Security of Persons and Property	391,132	-	-	-	2,123	393,255
Public Health Services	-	-	-	-	675	675
Leisure Time Activities	17,885	-	-	-	-	17,885
Community Environment	4,152	-	-	-	-	4,152
Transportation	-	193,329	-	-	6,834	200,163
Capital Outlay	83,747	11,097	182,903	-	21,335	299,082
<i>Total Disbursements</i>	<u>663,345</u>	<u>204,426</u>	<u>183,138</u>	<u>15,164</u>	<u>30,967</u>	<u>1,097,040</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(349,813)	(127,857)	(66,865)	562,160	(21,730)	(4,105)
Other Financing Sources (Uses)						
Transfers In	404,500	155,500	-	-	75,000	635,000
Transfers Out	(75,000)	-	-	(560,000)	-	(635,000)
<i>Total Other Financing Sources (Uses)</i>	<u>329,500</u>	<u>155,500</u>	<u>-</u>	<u>(560,000)</u>	<u>75,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(20,313)	27,643	(66,865)	2,160	53,270	(4,105)
<i>Fund Balances Beginning of Year</i>	<u>134,961</u>	<u>49,823</u>	<u>287,059</u>	<u>15,732</u>	<u>307,472</u>	<u>795,047</u>
<i>Fund Balances End of Year</i>	<u>\$ 114,648</u>	<u>\$ 77,466</u>	<u>\$ 220,194</u>	<u>\$ 17,892</u>	<u>\$ 360,742</u>	<u>\$ 790,942</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 71,330	\$ 71,330	\$ 72,024	\$ 694
Charges for Services	46,876	51,528	47,184	(4,344)
Fines, Licenses and Permits	5,021	5,519	5,054	(465)
Intergovernmental	104,081	114,409	104,764	(9,645)
Interest	20,976	23,058	21,114	(1,944)
Miscellaneous	62,979	69,229	63,392	(5,837)
<i>Total receipts</i>	<u>311,263</u>	<u>335,073</u>	<u>313,532</u>	<u>(21,541)</u>
Disbursements				
Current:				
General Government	211,405	211,405	166,429	44,976
Security of Persons and Property	470,900	470,900	403,332	67,568
Leisure Time Activities	24,150	24,150	17,885	6,265
Community Environment	4,850	4,850	4,152	698
Capital Outlay	124,212	124,212	83,747	40,465
<i>Total Disbursements</i>	<u>835,517</u>	<u>835,517</u>	<u>675,545</u>	<u>159,972</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(524,254)</u>	<u>(500,444)</u>	<u>(362,013)</u>	<u>138,431</u>
Other Financing Sources (Uses)				
Transfers In	401,864	441,742	404,500	(37,242)
Transfers Out	-	-	(75,000)	(75,000)
<i>Total Other Financing Sources (Uses)</i>	<u>401,864</u>	<u>441,742</u>	<u>329,500</u>	<u>(112,242)</u>
<i>Net Change in Fund Balance</i>	(122,390)	(58,702)	(32,513)	26,189
<i>Fund Balance Beginning of Year</i>	134,886	134,886	134,886	-
Prior Year Encumbrances Appropriated	75	75	75	-
<i>Fund Balance End of Year</i>	<u>\$ 12,571</u>	<u>\$ 76,259</u>	<u>\$ 102,448</u>	<u>\$ 26,189</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Maintenance Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 69,734	\$ 69,734	\$ 75,551	\$ 5,817
Interest	445	445	482	37
Miscellaneous	495	495	536	41
<i>Total receipts</i>	<u>\$70,674</u>	<u>70,674</u>	<u>76,569</u>	<u>5,895</u>
Disbursements				
Current:				
Transportation	205,200	205,200	193,329	11,871
Capital Outlay	58,823	58,823	11,097	47,726
<i>Total Disbursements</i>	<u>264,023</u>	<u>264,023</u>	<u>204,426</u>	<u>59,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(193,349)	(193,349)	(127,857)	65,492
Other Financing Sources (Uses)				
Transfers In	143,527	143,527	155,500	11,973
<i>Net Change in Fund Balance</i>	(49,822)	(49,822)	27,643	77,465
<i>Fund Balance Beginning of Year</i>	<u>49,823</u>	<u>49,823</u>	<u>49,823</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 77,466</u>	<u>\$ 77,465</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
NEDD Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$106,500	\$106,500	\$116,273	\$9,773
<i>Total receipts</i>	<u>106,500</u>	<u>106,500</u>	<u>116,273</u>	<u>9,773</u>
Disbursements				
Current:				
General Government	25,000	25,000	20,235	4,765
Capital Outlay	305,786	305,786	229,134	76,652
<i>Total Disbursements</i>	<u>330,786</u>	<u>330,786</u>	<u>249,369</u>	<u>81,417</u>
<i>Net Change in Fund Balance</i>	(224,286)	(224,286)	(133,096)	91,190
<i>Fund Balance Beginning of Year</i>	224,286	224,286	224,286	-
Prior Year Encumbrances Appropriated	<u>62,773</u>	<u>62,773</u>	<u>62,773</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 62,773</u>	<u>\$ 62,773</u>	<u>\$ 153,963</u>	<u>\$ 91,190</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$570,000	\$570,000	\$577,324	\$7,324
<i>Total receipts</i>	<u>570,000</u>	<u>570,000</u>	<u>577,324</u>	<u>7,324</u>
Disbursements				
Current:				
General Government	20,200	20,200	15,564	4,636
<i>Total Disbursements</i>	<u>20,200</u>	<u>20,200</u>	<u>15,564</u>	<u>4,636</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	549,800	549,800	561,760	11,960
Other Financing Sources (Uses)				
Transfers Out	(565,532)	(565,532)	(560,000)	5,532
<i>Total Other Financing Sources (Uses)</i>	<u>(565,532)</u>	<u>(565,532)</u>	<u>(560,000)</u>	<u>5,532</u>
<i>Net Change in Fund Balance</i>	(15,732)	(15,732)	1,760	17,492
<i>Fund Balance Beginning of Year</i>	<u>15,732</u>	<u>15,732</u>	<u>15,732</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,492</u>	<u>\$ 17,492</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2004

	Business-Type Activities			Total
	Water	Sewer	Other Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$690,141	\$173,155	\$108,940	\$972,236
<i>Total Assets</i>	<u>\$690,141</u>	<u>\$173,155</u>	<u>\$108,940</u>	<u>\$972,236</u>
Net Assets				
Unrestricted	<u>\$690,141</u>	<u>\$173,155</u>	<u>\$108,940</u>	<u>\$972,236</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2004*

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Other Enterprise Funds	
Operating Receipts				
Charges for Services	\$ 337,621	\$ 486,261	\$ 15,275	\$ 839,157
Other Operating Receipts	400	5,956	10,685	17,041
<i>Total Operating Receipts</i>	<u>338,021</u>	<u>492,217</u>	<u>25,960</u>	<u>856,198</u>
Operating Disbursements				
Personal Services	179,328	234,952	16,428	430,708
Contractual Services	34,975	95,833	3,734	134,542
Materials and Supplies	42,014	53,145	15,270	110,429
Capital Outlay	33,299	14,145	-	47,444
<i>Total Operating Disbursements</i>	<u>289,616</u>	<u>398,075</u>	<u>35,432</u>	<u>723,123</u>
<i>Operating Income (Loss)</i>	48,405	94,142	(9,472)	133,075
Non-Operating Receipts/ (Disbursements)				
Redemption of Principal	-	-	(54,784)	(54,784)
Interest and Other Fiscal Charges	-	-	(17,639)	(17,639)
Other Financing Sources	-	-	4,871	4,871
Other Financing Uses	-	-	(1,730)	(1,730)
<i>Income (Loss) before Transfers</i>	48,405	94,142	(78,754)	63,793
Transfers In	-	-	93,423	93,423
Transfers Out	(4,784)	(88,639)	-	(93,423)
<i>Change in Net Assets</i>	43,621	5,503	14,669	63,793
<i>Net Assets Beginning of Year</i>	<u>646,520</u>	<u>167,652</u>	<u>94,271</u>	<u>908,443</u>
<i>Net Assets End of Year</i>	<u>\$ 690,141</u>	<u>\$ 173,155</u>	<u>\$ 108,940</u>	<u>\$ 972,236</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$570,062</u>
Net Assets	
Unrestricted	<u>\$570,062</u>

See accompanying notes to the basic financial statements

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

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. The Village Council is composed of six-members who are elected by their respective electors or by the Village at large.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, EMT and fire services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village does not have any component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures. The Village participates in, and is the fiscal agent for, the Perry-Navarre Joint Economic Development District (JEDD), for additional information refer to Note 13 to the financial statements.

The Village participates in jointly governed organizations. Note 14 to the financial statements provides additional information for these entities. These organizations are the Stark Council of Governments and the Stark County Regional Planning Commission.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its governmental and business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Maintenance Fund, NEDD Fund, and Income Tax Fund. The General Fund is used to account for 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. The Street Maintenance Fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets. The NEDD Fund receives a portion of income tax revenue which is used to pay for infrastructure projects. The Income Tax 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. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

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 pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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's agency fund is the JEDD fund, which receives a portion of income tax revenue that is used to facilitate economic development and to create and preserve jobs. For more information refer to Note 13.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriation ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents." There were no such accounts during the period.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

During 2005 and 2004, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost and have terms of 3 and 19 months.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 and 2004 were \$34,575 and \$21,114 respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village did not have any restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

L. Long-Term Obligations

The Village's cash basis financial statements report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Village did not have such transactions in 2005 and 2004.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Maintenance Fund, NEDD Fund, and Income Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end 2005 (budgetary basis) amounted to \$4,363 for the General Fund. At year-end 2004, the encumbrances amounted to \$12,200 for the General Fund, \$66,231 for the NEDD Fund and \$400 for the Income Tax Fund.

Note 5 – Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Village has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Village only has demand deposits and certificates of deposit. At December 31, 2005, \$2,513,042 of the Village's bank balance of \$2,613,042 and at December 31, 2004, \$2,239,312 of the Village's bank balance of \$2,339,312 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Note 6 – Income Taxes

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.

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 Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$2.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	2005	2004
Real Property		
Residential/Agricultural	\$ 19,120,790	\$ 19,046,910
Other	5,431,030	5,490,240
Tangible Personal Property		
General	4,110,210	4,110,210
Public Utilities	806,590	807,790
Total Valuation	\$ 29,468,620	\$ 29,455,150

Note 8 – Risk Management

The Village is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005 and 2004, the Village contracted with private carriers for property and fleet insurance for the following:

- Boilers
- Comprehensive property and general liability
- Vehicles

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

- Commercial inland marine
- General Liability
- Public Officials Liability
- Employer's Liability
- Employee Benefits Liability
- 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.

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$72,410, \$70,777, and \$70,413, respectively. The full amount has been contributed for 2005, 2004 and 2003.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 24 percent for police officers. The Village has no full-time firefighters. Contributions are authorized by State statute. The Village's required contributions to the Ohio Police and Fire Pension Fund for the years ended December 31, 2005, 2004, and 2003 were \$29,584, \$30,556, and \$32,032. The full amount has been contributed for 2005, 2004 and 2003.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions which were used to fund postemployment benefits were \$51,035 for 2005 and \$49,883 for 2004. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions that were used to fund postemployment benefits were \$11,758 in 2005 and \$12,144 in 2004 for police. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$120,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 11 - Notes Payable

A summary of the note transactions for the years ended December 31, 2004 and 2005, follows:

	<u>Balance at</u> <u>1/1/2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>12/31/2004</u>
Business-Type Activities:				
OPWC Loan	\$ 38,269	-	\$ 4,784	\$ 33,485
Mortgage Revenue Bonds	225,000	-	50,000	175,000
Total Business-Type Activities	<u>\$ 263,269</u>	<u>-</u>	<u>\$ 54,784</u>	<u>\$ 208,485</u>
	<u>Balance at</u> <u>1/1/2005</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>12/31/2005</u>
Business-Type Activities:				
OPWC Loan	\$ 33,485	-	\$ 4,784	\$ 28,701
Mortgage Revenue Bonds	175,000	-	55,000	120,000
Total Business-Type Activities	<u>\$ 208,485</u>	<u>-</u>	<u>\$ 59,784</u>	<u>\$ 148,701</u>

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

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.

The following is a summary of the Village's future annual debt service requirements:

Year Ending December 31	OPWC	Mortgage Revenue Bonds		
	Principal	Principal	Interest	Total
2006	\$ 4,784	\$ 60,000	\$ 9,900	\$ 69,900
2007	4,784	60,000	4,950	64,950
2008	4,784	-	-	-
2009	4,784	-	-	-
2010	4,784	-	-	-
2011	4,781	-	-	-
Total	<u>\$28,701</u>	<u>\$120,000</u>	<u>\$14,850</u>	<u>\$134,850</u>

Note 12 – Contingent Liabilities

The Village may be a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors 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 13 – Joint Ventures

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 14 – Jointly Governed Organizations

- A. 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.

Village of Navarre, Stark County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

- B. 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.

Note 15 – Interfund Transfers

In 2005 and 2004, the Village transferred income tax receipts collected in the Income Tax Fund to the General and Street Maintenance funds in accordance with the tax allocation ordinance. In addition, the Village transferred monies from the Water and Sewer funds to the Debt Service Enterprise Fund for principal and interest payments. These transfers met all applicable requirements of the Ohio Revised Code.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Village Council
27 Canal Street West
Navarre, Ohio 44662

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Navarre, Stark County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 5, 2006, wherein we noted that the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 we have reported to management on the Village in a separate letter dated May 5, 2006.

Compliance and Other Matters

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, grant agreements and other matters, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris and Associates, Inc.
May 5, 2006

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the two years ending December 31, 2003, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 19, 2006**