

***VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005***

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





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Garrettsville  
8213 High Street  
P.O. Box 266  
Garrettsville, Ohio 44231

We have reviewed the *Report of Independent Accountants* of the Village of Garrettsville, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Garrettsville is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 8, 2008

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**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2006 and 2005**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Garrettsville  
Portage County  
8213 High Street  
Garrettsville, Ohio 44231

To the Village Council:

We have audited the accompanying financial statements of the Village of Garrettsville (Village), Portage County, Ohio as and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Garrettsville, Portage County as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008, 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.***  
October 15, 2008

**VILLAGE OF GARRETTSVILLE**  
**PORTAGE COUNTY**  
**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2006**

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
<b>Receipts:</b>					
Property and Local Taxes	\$ 126,978	-	\$ 21,450	-	\$ 148,428
Municipal Income Taxes	715,267	\$ 181,080	-	\$ 9,054	905,401
Intergovernmental	157,743	123,841	-	-	281,584
Charges for Services	46,376	20,000	-	-	66,376
Fines, Licenses and Permits	9,973	-	-	-	9,973
Earnings on Investments	18,570	1,063	-	-	19,633
Miscellaneous	37,036	2,339	-	2,285	41,660
<b>Total Receipts</b>	<b>1,111,943</b>	<b>328,323</b>	<b>21,450</b>	<b>11,339</b>	<b>1,473,055</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Security of Persons & Property	733,016	2,967	-	-	735,983
Public Health Services	-	6,559	-	-	6,559
Leisure Time Activities	59,350	-	-	-	59,350
Community Environment	11,588	84	-	-	11,672
Basic Utility Services	2,359	-	-	-	2,359
Transportation	5,271	275,165	-	-	280,436
General Government	272,508	-	-	-	272,508
Capital Outlay	43,224	38,954	-	60,000	142,178
<b>Debt Service:</b>					
Redemption of Principal	-	-	14,000	-	14,000
Interest and Fiscal Charges	-	-	8,580	-	8,580
<b>Total Disbursements</b>	<b>1,127,316</b>	<b>323,729</b>	<b>22,580</b>	<b>60,000</b>	<b>1,533,625</b>
<b>Total Receipts Over/(Under)</b>					
Disbursements	(15,373)	4,594	(1,130)	(48,661)	(60,570)
<b>Other Financing Sources/(Uses):</b>					
Other Financing Uses	(27,188)	-	(982)	-	(28,170)
<b>Total Other Financing Sources/(Uses)</b>	<b>(27,188)</b>	<b>-</b>	<b>(982)</b>	<b>-</b>	<b>(28,170)</b>
<b>Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses</b>	<b>(42,561)</b>	<b>4,594</b>	<b>(2,112)</b>	<b>(48,661)</b>	<b>(88,740)</b>
<b>Fund Cash Balance, January 1, 2006</b>	<b>277,106</b>	<b>314,852</b>	<b>5,239</b>	<b>81,370</b>	<b>678,567</b>
<b>Fund Cash Balance, December 31, 2006</b>	<b>\$ 234,545</b>	<b>\$ 319,446</b>	<b>\$ 3,127</b>	<b>\$ 32,709</b>	<b>\$ 589,827</b>
<b>Encumbrances, December 31, 2006</b>	<b>\$ 15,197</b>	<b>\$ 28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,225</b>

See Accompanying Notes to the Financial Statements.



VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types and Similar Fiduciary Funds  
For the Year Ended December 31, 2005

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Memorandum Only
<b>Receipts:</b>						
Property and Local Taxes	\$ 126,435	-	\$ 20,902	-	-	\$ 147,337
Municipal Income Taxes	742,835	\$ 188,059	-	\$ 9,403	-	940,297
Intergovernmental	229,973	132,563	-	-	-	362,536
Charges for Services	52,744	12,948	-	-	\$ 300	65,992
Fines, Licenses and Permits	9,903	7,561	-	-	-	17,464
Earnings on Investments	15,722	1,182	-	-	-	16,904
Miscellaneous	69,090	-	-	-	-	69,090
<b>Total Receipts</b>	<b>1,246,702</b>	<b>342,313</b>	<b>20,902</b>	<b>9,403</b>	<b>300</b>	<b>1,619,620</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Security of Persons & Property	710,054	4,627	-	-	-	714,681
Public Health Services	-	29,800	-	-	-	29,800
Leisure Time Activities	58,542	-	-	-	-	58,542
Community Environment	11,271	-	-	-	-	11,271
Basic Utility Services	8,482	3,003	-	-	-	11,485
Transportation	3,912	276,987	-	-	-	280,899
General Government	296,608	-	-	-	-	296,608
Capital Outlay	18,491	48,444	-	-	-	66,935
<b>Debt Service:</b>						
Redemption of Principal	-	-	14,000	-	-	14,000
Interest and Fiscal Charges	-	-	9,420	-	-	9,420
<b>Total Disbursements</b>	<b>1,107,360</b>	<b>362,861</b>	<b>23,420</b>	<b>-</b>	<b>-</b>	<b>1,493,641</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>139,342</b>	<b>(20,548)</b>	<b>(2,518)</b>	<b>9,403</b>	<b>300</b>	<b>125,979</b>
<b>Other Financing Sources/(Uses):</b>						
Other Financing Uses	(4,590)	-	(912)	-	-	(5,502)
<b>Total Other Financing Sources/(Uses)</b>	<b>(4,590)</b>	<b>-</b>	<b>(912)</b>	<b>-</b>	<b>-</b>	<b>(5,502)</b>
<b>Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses</b>	<b>134,752</b>	<b>(20,548)</b>	<b>(3,430)</b>	<b>9,403</b>	<b>300</b>	<b>120,477</b>
<b>Fund Cash Balance, January 1, 2005</b>	<b>142,354</b>	<b>328,699</b>	<b>8,669</b>	<b>71,967</b>	<b>6,401</b>	<b>558,090</b>
<b>Fund Cash Balance, December 31, 2005</b>	<b>\$ 277,106</b>	<b>\$ 308,151</b>	<b>\$ 5,239</b>	<b>\$ 81,370</b>	<b>\$ 6,701</b>	<b>\$ 678,567</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES -  
All Proprietary Funds  
For the Year Ended December 31, 2006**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Receipts:</b>	
Charges for Services	\$ 985,697
Fines Licenses and Permits	21,800
Miscellaneous	75,825
<b>Total Receipts</b>	<b>1,083,322</b>
<b>Disbursements:</b>	
Personal Services	290,745
Contractual Services	301,695
Materials and Supplies	31,501
Travel Transportation	234
Capital Outlay	576,554
<b>Total Disbursements</b>	<b>1,200,729</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(117,407)</b>
<b>Nonoperating Receipts (Disbursements):</b>	
Intergovernmental	241,000
Debt Service:	
Principal	(175,512)
Interest	(65,752)
Earnings on Investments	30,100
Debt Proceeds from OPWC	50,000
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>79,836</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers</b>	<b>(37,571)</b>
Transfers in	194,152
Transfers out	(194,152)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>(37,571)</b>
<b>Fund Balance, January 1, 2006</b>	<b>1,132,519</b>
<b>Fund Balance, December 31, 2006</b>	<b>\$ 1,094,948</b>
<b>Encumbrances, December 31, 2006</b>	<b>\$ 58,045</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES -  
All Proprietary Funds  
For the Year Ended December 31, 2005**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Receipts:</b>	
Charges for Services	\$ 919,233
Fines Licenses and Permits	16,400
Miscellaneous	36,536
<b>Total Receipts</b>	<b>972,169</b>
<b>Disbursements:</b>	
Personal Services	275,237
Contractual Services	269,413
Materials and Supplies	48,332
Travel Transportation	314
Capital Outlay	132,004
<b>Total Disbursements</b>	<b>725,300</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>246,869</b>
<b>Nonoperating Receipts (Disbursements):</b>	
<b>Debt Service:</b>	
Principal	(180,549)
Interest	(69,639)
Earnings on Investments	23,624
Debt Proceeds	250,000
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>23,436</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers</b>	<b>270,305</b>
Transfers in	248,033
Transfers out	(248,033)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>270,305</b>
<b>Fund Balance, January 1, 2005</b>	<b>862,214</b>
<b>Fund Balance, December 31, 2005</b>	<b>\$ 1,132,519</b>
<b>Encumbrances, December 31, 2005</b>	<b>\$ 343,540</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Garrettsville, Portage County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

The Village values certificates of deposit and repurchase agreements at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

Street Construction, Maintenance, and Repair Fund - This fund receives motor vehicle license tax, gasoline tax money and 20% of income tax collection for constructing, maintaining, and repairing Village streets.

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond debt. The Village had the following debt service fund:

Special Assessment Bond Retirement Fund – This fund accounts for resources from special assessments of certain property owners to pay the principal and interest on bonds issued to build a boardwalk.

**4. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project fund:

Construction Fund – This fund receives proceeds from a local income tax to finance improvements to Village buildings.

**5. Enterprise Funds**

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

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

**6. Fiduciary Fund (Trust Fund)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village's expendable trust fund accounts for the care and maintenance of certain cemetery plots. In 2006, the Village reclassified its expendable trust fund to Special Revenue: Cemetery Trust in compliance with the requirements of Bulletin 2005-005. Refer to Note 9.

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2006</u>	<u>2005</u>
<b>Demand Deposit</b>	\$ 227,441	\$ 223,803
<b>Repurchase Agreement</b>	1,457,334	1,527,283
<b>Certificates of Deposit</b>	-	60,000
<b>Total Deposits and Investments</b>	<u>\$ 1,684,775</u>	<u>\$ 1,811,086</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions' public entity deposit pools.

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2006 and 2005 follows:

<b>2006 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Funds</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 1,312,614	\$ 1,169,701	\$ 142,913
Special Revenue	467,450	323,757	143,693
Debt Service	24,580	23,562	1,018
Capital Projects	70,000	60,000	10,000
Enterprise	2,004,534	1,694,190	310,344
<b>Total</b>	<b>\$ 3,879,178</b>	<b>\$ 3,271,210</b>	<b>\$ 607,968</b>

<b>2006 Budgeted vs Actual Receipts</b>			
<b>Funds</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 1,107,838	\$ 1,111,943	\$ 4,105
Special Revenue	318,128	328,323	10,195
Debt Service	19,341	21,450	2,109
Capital Projects	9,497	11,339	1,842
Enterprise	1,493,729	1,598,574	104,845
<b>Total</b>	<b>\$ 2,948,533</b>	<b>\$ 3,071,629</b>	<b>\$ 123,096</b>

<b>2005 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Funds</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 1,265,480	\$ 1,111,950	\$ 153,530
Special Revenue	490,000	362,861	127,139
Debt Service	25,450	24,332	1,118
Capital Projects	65,000	-	65,000
Fiduciary: Expendable Trust	250	-	250
Enterprise	2,051,816	1,567,061	484,755
<b>Total</b>	<b>\$ 3,897,996</b>	<b>\$ 3,066,204</b>	<b>\$ 831,792</b>

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2005 Budgeted vs Actual Receipts</b>			
<b>Funds</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
<b>General</b>	<b>\$ 1,169,950</b>	<b>\$ 1,246,702</b>	<b>\$ 76,752</b>
<b>Special Revenue</b>	<b>302,085</b>	<b>342,313</b>	<b>40,228</b>
<b>Debt Service</b>	<b>8,081</b>	<b>20,902</b>	<b>12,821</b>
<b>Capital Projects</b>	<b>9,187</b>	<b>9,403</b>	<b>216</b>
<b>Fiduciary: Expendable Trust</b>	<b>250</b>	<b>300</b>	<b>50</b>
<b>Enterprise</b>	<b>1,394,133</b>	<b>1,493,826</b>	<b>99,693</b>
<b>Total</b>	<b><u>\$ 2,883,686</u></b>	<b><u>\$ 3,113,446</u></b>	<b><u>\$ 229,760</u></b>

**4. PROPERTY TAXES**

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2006.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

**5. LOCAL INCOME TAX**

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**6. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
<b>Ohio Water Development Authority Loans</b>	<b>\$ 655,697</b>	<b>7.50-8.97%</b>
<b>Special Assessment Bonds</b>	<b>129,000</b>	<b>6.00%</b>
<b>OPWC Loan</b>	<b>47,500</b>	<b>0.00%</b>
<b>Commercial Bank Loan</b>	<b>193,151</b>	<b>4.95%</b>
<b>Total</b>	<b>\$ 1,025,348</b>	

The Ohio Water Development Authority (OWDA) Loans relate to a water and sewer construction project. The OWDA has approved up to \$2,396,123 in loans to the Village for this project. The loans will be repaid in semiannual installments over 20 years.

In 2006, the Village received a \$50,000 loan from OPWC to help finance the extension of Liberty Street Sanitary Sewer. The loan will be repaid in semiannual installments of \$2,500 over 10 years. The first payment was made before the end of 2006.

The Special Assessment Bonds relate to financing the cost of improving certain properties in the Village by constructing a boardwalk. The Village's taxing authority collateralizes the Special Assessment Bonds. The Village has agreed to levy property tax assessments to those residents benefiting from the project in an amount sufficient to retire the Bonds.

The Commercial Bank Loan relates to the Liberty Street/Garrett House Sanitary Sewer Project. The loan bears an interest rate of 4.95% and will be repaid in monthly installments of \$4,718, including interest, over 5 years.

All the loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

Amortization of the above debt, including interest, follows:

	<b>OWDA Loans</b>	<b>OPWC Loan</b>	<b>Special Assessment Bonds</b>	<b>Commercial Bank Loan</b>
<b>Year ending Dec 31:</b>				
<b>2007</b>	<b>\$ 182,972</b>	<b>\$ 5,000</b>	<b>\$ 22,740</b>	<b>\$ 56,612</b>
<b>2008</b>	<b>183,855</b>	<b>5,000</b>	<b>23,840</b>	<b>56,612</b>
<b>2009</b>	<b>184,806</b>	<b>5,000</b>	<b>22,820</b>	<b>56,612</b>
<b>2010</b>	<b>150,195</b>	<b>5,000</b>	<b>22,800</b>	<b>42,459</b>
<b>2011</b>	<b>114,973</b>	<b>5,000</b>	<b>23,720</b>	<b>-</b>
<b>2012 - 2016</b>	<b>32,761</b>	<b>22,500</b>	<b>45,840</b>	<b>-</b>
<b>Total</b>	<b>\$ 849,562</b>	<b>\$ 47,500</b>	<b>\$ 161,760</b>	<b>\$ 212,295</b>

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participants. OPERS members contributed 9 and 8.5 percent of their wages, respectively. The Village contributed an amount equaling 13.7 and 13.55 percent of participants' gross salaries, respectively. The Village has paid all contributions required through December 31, 2006.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005:

	2006	2005
<b>Assets</b>	<b>\$ 2,331,284</b>	<b>\$ 2,241,661</b>
<b>Liabilities</b>	<b>3,130,475</b>	<b>3,457,720</b>
<b>Retained earnings/(deficit)</b>	<b>\$ (799,191)</b>	<b>\$ (1,216,059)</b>

**9. RESTATEMENT OF FUND BALANCE**

	12/31/05 Fund Balance		Restatement		Restated Fund Balance 1/1/06
Fiduciary Fund:					
Expendable Trust	\$ 6,701	\$	(6,701)	\$	0
Governmental Fund Type:					
Special Revenue	0		6,701		6,701

The restatement was done to comply with the Auditor of State requirement stated in Bulletin 2005-005. Bulletin 2005-005 states that local governments that prepare non-GAAP, cash-basis financial statements are required to reclassify their nonexpendable and expendable trust funds as part of the governmental fund type or private purpose trust categories effective January 1, 2006.

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

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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**

Village of Garrettsville  
Portage County  
8213 High Street  
Garrettsville, Ohio 44231

To the Village Council:

We have audited the financial statements of the Village of Garrettsville, Portage County, Ohio (Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 15, 2008, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2006-VGPC-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

#### 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2006-VGPC-01.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We noted certain other matters that we have reported to management of the Village in a separate letter dated October 15, 2008.

This report is intended for the information and use of the audit committee, 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 & Associates, Inc.***  
October 15, 2008

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006- VGPC -01: Noncompliance and Material Weakness**

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2006, the Village received grants totaling \$241,000 from the Ohio Public Works Commission (OPWC). As OPWC disbursed these payments directly to the contractor, the Village did not post these receipts nor the corresponding disbursements in its annual report. The accompanying financial statements were adjusted to record the grant under Enterprise Fund – Intergovernmental receipts and the corresponding disbursements posted to Capital Outlay.

The Village had a Fiduciary: Expendable Trust – Cemetery Fund, which it reclassified as Fiduciary: Agency Fund as of January 1, 2006. Based on the requirements of AOS Bulletin 2005-005, this fund should have been reclassified to a Governmental Fund Type: Special Revenue Fund. The accompanying financial statements have been adjusted accordingly. Management agrees and has adjusted its records.

We recommend that management obtain remittance advices from the OPWC that would serve as documentation and proof to record direct payments to contractors. Also, we recommend that management research current technical bulletins and consult with the Auditor of State when implementing new accounting pronouncements.

Management response:

The Clerk-Treasurer had received the remittance report from OPWC and recorded in the books, but did not transpose the receipts and disbursements from the journals to the annual report. The reclassification of the Expendable Trust Fund into the Agency Fund was made by the Clerk-Treasurer upon the direction of the County Auditor's Office. Future accounting changes will be implemented correctly.

### **STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report, for the years ending December 31, 2003 and 2004, reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF GARRETTSVILLE**

**PORTAGE 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  
DECEMBER 18, 2008**