

***VILLAGE OF GARRETTSVILLE***

**PORTAGE COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2018 and 2017**





OHIO AUDITOR OF STATE  
KEITH FABER



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Village Council  
Village of Garrettsville  
8213 High Street  
Garrettsville, Ohio 44231

We have reviewed the *Independent Auditor's Report* of the Village of Garrettsville, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. 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 Garrettsville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

July 29, 2019

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**VILLAGE OF GARRETTSVILLE**  
**PORTAGE COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2018 and 2017**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Garrettsville, Portage County, (the Village) as of and for the years ended December 31, 2018 and 2017.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

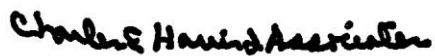
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, or its changes in financial position or its cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Garrettsville, Portage County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
May 15, 2019



**Village of Garrettsville**  
**Portage County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2018*

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 118,861	\$ -	\$ -	\$ -	\$ 118,861
Municipal Income Tax	1,001,068	253,431	-	12,672	1,267,171
Intergovernmental	81,005	116,795	-	-	197,800
Charges for Services	77,027	12,150	-	-	89,177
Fines, Licenses and Permits	14,539	2,480	-	-	17,019
Earnings on Investments	10,287	-	-	-	10,287
Miscellaneous	87,063	8,716	-	-	95,779
<i>Total Cash Receipts</i>	1,389,850	393,572	-	12,672	1,796,094
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	617,783	4,854	-	-	622,637
Public Health Services		10,139	-	-	10,139
Leisure Time Activities	69,743	-	-	-	69,743
Community Environment	10,730	-	-	-	10,730
Transportation	-	289,430	-	-	289,430
General Government	595,895	-	-	-	595,895
Capital Outlay	73,450	88,428	-	20,000	181,878
<i>Total Cash Disbursements</i>	1,367,601	392,851	-	20,000	1,780,452
<i>Excess of Receipts Over (Under) Disbursements</i>	22,249	721	-	(7,328)	15,642
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	812		-	-	812
<i>Total Other Financing Receipts (Disbursements)</i>	812	-	-	-	812
<i>Net Change in Fund Cash Balances</i>	23,061	721	-	(7,328)	16,454
<i>Fund Cash Balances, January 1</i>	417,538	385,102	28,323	24,388	855,351
<b>Fund Cash Balances, December 31</b>					
Restricted	-	385,823	28,323	-	414,146
Committed	-	-	-	17,060	17,060
Assigned	322,841	-	-	-	322,841
Unassigned	117,758	-	-	-	117,758
<i>Fund Cash Balances, December 31</i>	\$ 440,599	\$ 385,823	\$ 28,323	\$ 17,060	\$ 871,805

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

**Village of Garrettsville**  
**Portage County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2018*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,311,895
Miscellaneous	11,877
	1,323,772
<i>Total Operating Cash Receipts</i>	<i>1,323,772</i>
<b>Operating Cash Disbursements</b>	
Personal Services	258,023
Employee Fringe Benefits	129,688
Contractual Services	319,028
Supplies and Materials	160,030
	866,769
<i>Total Operating Cash Disbursements</i>	<i>866,769</i>
<i>Operating Income (Loss)</i>	<i>457,003</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	27,258
Other Debt Proceeds	95,393
Capital Outlay	(156,095)
Principal Retirement	(342,348)
Interest and Other Fiscal Charges	(4,542)
	(380,334)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(380,334)</i>
<i>Income (Loss) before Transfers</i>	<i>76,669</i>
Transfers In	12,000
Transfers Out	(12,000)
	76,669
<i>Net Change in Fund Cash Balances</i>	<i>76,669</i>
<i>Fund Cash Balances, January 1</i>	<i>2,585,301</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,661,970</i>

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

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

***Public Entity Risk Pool***

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Street Construction, Maintenance and Repair Fund*** The street construction, maintenance and repair fund accounts for and reports motor vehicle license tax, gasoline tax and income tax monies restricted for construction, maintenance, and repair of streets within the Village.

***Debt Service Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

***Boardwalk Special Assessment Fund*** The boardwalk special assessment fund accounts for and reports receipt of special assessments from certain property owners for the repayment of bonds issued to build a boardwalk.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

**Construction Fund** The capital projects fund accounts for and reports receipt of income tax restricted for capital projects.

**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** The water fund accounts for the provision of water treatment and distribution 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.

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,337,323	\$ 1,390,662	\$ 53,339
Special Revenue	367,109	393,572	26,463
Capital Projects	10,000	12,672	2,672
Enterprise	1,279,878	1,458,423	178,545

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,573,262	\$ 1,367,601	\$ 205,661
Special Revenue	600,390	392,851	207,539
Capital Projects	20,000	20,000	-
Enterprise	1,859,083	1,381,754	477,329

**Note 4 – Deposits and Investments**

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

	2018
Demand deposits	\$ 3,533,775

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 4 – Deposits and Investments (continued)**

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. At December 31, 2018, \$1,539,815 of deposits were not insured or collateralized.

**Note 5 – Taxes**

***Property Taxes***

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

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

***Income Taxes***

The Village levies a municipal income tax of 1.75% 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 Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 - Risk Management**

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

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

<u>2018</u>	
Cash and investments	\$35,381,789
Actuarial liabilities	\$12,965,015

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

***Ohio Police and Fire Pension Fund***

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.



**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018, and OP&F contributed 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA Loan #5752	\$ 3,584,379	0.00%
OWDA Loan #7872	9,483	0.00%
OWDA Loan # 7741	364,042	1.63%
OPWC Loan #CG60M	2,459	0.00%
OPWC Loan #CG25L	122,500	0.00%
Total	\$ 4,082,863	

In 2009, the Village completed the Forest and Elm Street main water line replacement project. The total project cost was \$244,091. \$219,501 of the funding was a grant and the remaining \$24,590 was a loan with a term of ten years at 0% interest.

In 2012, the Village obtained an OPWC loan totaling \$350,000 to complete the Sanitary Expansion project. The Village plans to repay the loan from user charges. The loan matures July 1, 2022.

In 2012, the Village obtained financing from Ohio Water Development Authority (OWDA) for the completion of the Waste Water Treatment Plant Expansion Phase I. The Village plans to repay this loan from user charges. The loan matures January 1, 2032. No amortization schedule is currently available for this loan.

In 2017, the Village obtained financing from Ohio Water Development Authority (OWDA) for the completion of the North Street Water Main Phase II. The Village plans to repay this loan from user charges. The loan matures June 1, 2038. No amortization schedule is currently available for this loan.

In 2018, the Village obtained financing from Ohio Water Development Authority (OWDA) for the future project. Payments don't start until January 1, 2020 and the last payment will be July 1, 2024. No amortization schedule is currently available for this loan.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 9 – Debt (continued)**

***Amortization***

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

Year ending December 31:	OPWC # <u>CG60M</u>	OPWC # <u>CG25L</u>
2019	\$ 1,229	35,000
2020	1,230	35,000
2021	-	35,000
2022	-	17,500
Total	<u>\$ 2,459</u>	<u>\$ 122,500</u>

**Note 10 – Contingent Liabilities**

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

**Note 11 – Transfers**

During 2018, a transfer was made from the Water fund to the Water Improvement fund for capital improvements. All transfers were made in accordance with the Ohio Revised Code.

**Village of Garrettsville**  
**Portage County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 120,688	\$ -	\$ -	\$ -	\$ 120,688
Municipal Income Tax	1,001,953	253,659	-	12,683	1,268,295
Intergovernmental	77,961	120,455	-	-	198,416
Charges for Services	22,706	10,406	-	-	33,112
Fines, Licenses and Permits	13,781	1,954	-	-	15,735
Earnings on Investments	9,689	-	-	-	9,689
Miscellaneous	42,202	11,612	-	-	53,814
<i>Total Cash Receipts</i>	1,288,980	398,086	-	12,683	1,699,749
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	629,820	12,776	-	-	642,596
Public Health Services	-	27,389	-	-	27,389
Leisure Time Activities	80,141	-	-	-	80,141
Community Environment	15,959	-	-	-	15,959
Transportation	-	306,412	-	-	306,412
General Government	495,187	-	-	-	495,187
Capital Outlay	28,631	21,788	-	15,482	65,901
<i>Total Cash Disbursements</i>	1,249,738	368,365	-	15,482	1,633,585
<i>Excess of Receipts Over (Under) Disbursements</i>	39,242	29,721	-	(2,799)	66,164
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	485	4,874	-	-	5,359
<i>Total Other Financing Receipts (Disbursements)</i>	485	4,874	-	-	5,359
<i>Net Change in Fund Cash Balances</i>	39,727	34,595	-	(2,799)	71,523
<i>Fund Cash Balances, January 1</i>	377,811	350,507	28,323	27,187	783,828
<b>Fund Cash Balances, December 31</b>					
Restricted	-	385,102	28,323	-	413,425
Committed	-	-	-	24,388	24,388
Assigned	235,939	-	-	-	235,939
Unassigned	181,599	-	-	-	181,599
<i>Fund Cash Balances, December 31</i>	\$ 417,538	\$ 385,102	\$ 28,323	\$ 24,388	\$ 855,351

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

**Village of Garrettsville**  
**Portage County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2017*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,260,279
Miscellaneous	11,362
	1,271,641
<b>Operating Cash Disbursements</b>	
Personal Services	242,737
Employee Fringe Benefits	109,253
Contractual Services	389,625
Supplies and Materials	30,172
Other	16,505
	788,292
<i>Total Operating Cash Disbursements</i>	<i>788,292</i>
<i>Operating Income (Loss)</i>	<i>483,349</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	21,578
Other Debt Proceeds	289,974
Capital Outlay	(328,393)
Principal Retirement	(330,506)
	(347,347)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(347,347)</i>
<i>Income (Loss) before Transfers</i>	<i>136,002</i>
Transfers In	12,000
Transfers Out	(12,000)
	136,002
<i>Net Change in Fund Cash Balances</i>	<i>136,002</i>
<i>Fund Cash Balances, January 1</i>	<i>2,449,299</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,585,301</i>

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

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

***Public Entity Risk Pool***

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Street Construction, Maintenance and Repair Fund*** The street construction, maintenance and repair fund accounts for and reports motor vehicle license tax, gasoline tax and income tax monies restricted for construction, maintenance, and repair of streets within the Village.

***Debt Service Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

***Boardwalk Special Assessment Fund*** The boardwalk special assessment fund accounts for and reports receipt of special assessments from certain property owners for the repayment of bonds issued to build a boardwalk.

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

**Construction Fund** The capital projects fund accounts for and reports receipt of income tax restricted for capital projects.

**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** The water fund accounts for the provision of water treatment and distribution 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.

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,613,633	\$ 1,289,465	\$ (324,168)
Special Revenue	362,261	402,960	40,699
Capital Projects	11,000	12,683	1,683
Enterprise	1,976,994	1,595,193	(381,801)

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,610,574	\$ 1,249,738	\$ 360,836
Special Revenue	466,999	368,365	98,634
Capital Projects	20,000	15,482	4,518
Enterprise	2,547,870	1,459,191	1,088,679



**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 4 – Deposits and Investments**

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

	<u>2017</u>
Demand deposits	\$ 3,440,652

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. At December 31, 2017, \$1,504,672 of deposits were not insured or collateralized.

**Note 5 – Taxes**

***Property Taxes***

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

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

***Income Taxes***

The Village levies a municipal income tax of 1.75% 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 Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management**

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$19,000.

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Risk Management (continued)**

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

**2017 Contributions to PEP**  
\$30,658

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Ohio Police and Fire Pension Fund***

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

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

**Note 8 - Postemployment Benefits**

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

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA Loan #5752	\$ 3,877,426	0.00%
OWDA Loan # 7741	289,974	1.63%
OPWC Loan #CG60M	4,918	0.00%
OPWC Loan #CG25L	157,500	0.00%
Total	\$ 4,329,818	

In 2009, the Village completed the Forest and Elm Street main water line replacement project. The total project cost was \$244,091. \$219,501 of the funding was a grant and the remaining \$24,590 was a loan with a term of ten years at 0% interest.

In 2012, the Village obtained an OPWC loan totaling \$350,000 to complete the Sanitary Expansion project. The Village plans to repay the loan from user charges. The loan matures July 1, 2022.

In 2012, the Village obtained financing from Ohio Water Development Authority (OWDA) for the completion of the Waste Water Treatment Plant Expansion Phase I. The Village plans to repay this loan from user charges. The loan matures January 1, 2032. No amortization schedule is currently available for this loan.

In 2017, the Village obtained financing from Ohio Water Development Authority (OWDA) for the completion of the North Street Water Main Phase II. The Village plans to repay this loan from user charges. The loan matures June 1, 2038. No amortization schedule is currently available for this loan.

***Amortization***

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

	OPWC # CG60M	OPWC # CG25L
Year ending December 31:		
2018	\$ 2,459	\$ 35,000
2019	2,459	35,000
2020	-	35,000
2021	-	35,000
2022	-	17,500
Total	\$ 4,918	\$ 157,500

**Village of Garrettsville**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 10 – Contingent Liabilities**

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

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

**Note 11 – Transfers**

During 2017, a transfer was made from the Water fund to the Water Improvement fund for capital improvements. All transfers were made in accordance with the Ohio Revised Code.

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Garrettsville, Portage County (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated May 15, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2018-001 described in the accompanying Schedule of Findings to be a material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2018-002.

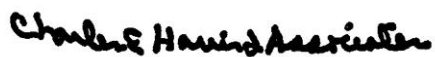
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 15, 2019.

***Village's Responses to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



***Charles E. Harris and Associates, Inc.***  
May 15, 2019

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2018 and 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2018-001 - Material Weakness**

During 2018 and 2017, the Village erroneously recorded several transactions. The more significant adjustments are as follows:

- In 2017 the Village classified foundation receipts of \$5,696 as Miscellaneous Revenue. These receipts are payments for services and should have been classified as Charges for Services Revenue.
- In 2017 the Village charged electricity charges to the Street fund instead of the General fund.
- In 2017 the Village overstated the beginning balance of the General fund by \$5,296 and understated the Special Revenue fund. This occurred for 2018 as well.
- Classified the balance of the Capital Projects fund as Restricted instead of Committed.
- Loan proceeds were not accounted for in the accounting records.

Adjustments were made in the financial statements and Village records.

The Village Officers' Handbook, Governmental Accounting Standards Board (GASB) Statement Number 54 and the UAN accounting manual provide 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.

We recommend that the Village refer to the Village Officer's Handbook, GASB Statement Number 54, the UAN manual and other Auditor of State guidance to properly classify its transactions. We also recommend the Fiscal Officer and Council review all reports compiled to ensure their accuracy.

**Management Response:**

See corrective action plan.

**Finding Number 2018-002 - Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.



**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY  
SCHEDULE OF FINDINGS (Continued)  
December 31, 2018 and 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – continued</b>
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**Finding Number 2018-002 – Noncompliance (continued)**

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by ordinance or resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing of expenditures, we noted twenty expenditures which did not have a purchase order prepared.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability. Also, we recommend the Village only use “then and now” certificates for items under \$3,000 and to have all certificates approved by Council. This will assist in keeping adequate controls over disbursements and encumbrances.

**Management Response:**

See corrective action plan.

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY, OHIO  
Summary Schedule of Prior Audit Findings - Prepared by management  
For the Years Ended December 31, 2017 and 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Budgetary footnote disclosures and budgetary amendments were not posted to the accounting system properly.	Partially corrected	See Corrective Action Plan
2016-002	Financial statement errors were made in the audit report.	Partially corrected	See Corrective Action Plan

**VILLAGE OF GARRETTSVILLE  
PORTAGE COUNTY, OHIO  
Corrective Action Plan-Prepared by Management  
For the Years Ended December 31, 2017 and 2018**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2018-001	We will review each transaction to ensure that the proper fund is charged. Also, we will closely review the fund classifications at the end of the year.	Immediately	Nancy Baldwin, Clerk-Treasurer
2018-002	We will ensure that all expenditures have a purchase order in place.	Immediately	Nancy Baldwin, Clerk-Treasurer

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
AUGUST 8, 2019**