



Dave Yost • Auditor of State

VILLAGE OF HARTVILLE
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Schedule of Federal Awards Expenditure.....	16
Notes to the Federal Awards Expenditure Schedule	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	21
Schedule of Findings	23

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Hartville
Stark County
202 West Maple Street
Hartville, Ohio 44632

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Hartville, Stark County, (the Village) as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no 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 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Hartville, Stark County as of December 31, 2014, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole. The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2015, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 11, 2015

This page intentionally left blank.

**VILLAGE OF HARTVILLE
STARK COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$110,831	\$286,906	\$0	\$397,737
Municipal Income Taxes	1,187,154	0	0	1,187,154
Intergovernmental	52,930	296,530	0	349,460
Charges for Services	3,276	0	0	3,276
Fines, Licenses and Permits	113,911	1,687	21,118	136,716
Earnings on Investments	133	3	0	136
Miscellaneous	21,528	1,313	13,232	36,073
Total Cash Receipts	1,489,763	586,439	34,350	2,110,552
Cash Disbursements				
Current:				
Security of Persons and Property	580,167	320,096	0	900,263
Public Health Services	22,553	0	0	22,553
Leisure Time Activities	32,375	0	0	32,375
Community Environment	7,408	0	0	7,408
Transportation	0	351,387	0	351,387
General Government	266,216	0	0	266,216
Capital Outlay	0	125,466	67,348	192,814
Total Cash Disbursements	908,719	796,949	67,348	1,773,016
Excess of Receipts Over/(Under) Disbursements	581,044	(210,510)	(32,998)	337,536
Other Financing Receipts / (Disbursements)				
Sale of Fixed Assets	1,750	0	0	1,750
Transfers-In	0	195,466	0	195,466
Transfers-Out	(195,466)	0	0	(195,466)
Advances-In	0	2,340	0	2,340
Advances-Out	(2,340)	0	0	(2,340)
Other Financing Sources	494	0	0	494
Other Financing Uses	(22,708)	0	0	(22,708)
Total Other Financing Receipts / (Disbursements)	(218,270)	197,806	0	(20,464)
Net Change in Fund Cash Balances	362,774	(12,704)	(32,998)	317,072
Fund Cash Balances January 1	872,161	126,813	275,205	1,274,179
Fund Cash Balances December 31				
Nonspendable	68	0	0	68
Restricted	0	114,109	0	114,109
Committed	17,018	0	0	17,018
Assigned	26,358	0	242,207	268,565
Unassigned	1,191,491	0	0	1,191,491
Fund Cash Balances December 31, 2014	\$1,234,935	\$114,109	\$242,207	\$1,591,251

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

**VILLAGE OF HARTVILLE
STARK COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$1,209,136	\$0	\$1,209,136
Fines, Licenses and Permits	45,335	0	45,335
Miscellaneous	6,581	0	6,581
Special Assessments	98,533	0	98,533
Total Operating Cash Receipts	1,359,585	0	1,359,585
Operating Cash Disbursements			
Personal Services	194,948	0	194,948
Contractual Services	399,219	0	399,219
Supplies and Materials	35,434	0	35,434
Capital Outlay	2,653,288	0	2,653,288
Total Operating Cash Disbursements	3,282,889	0	3,282,889
Operating Income / (Loss)	(1,923,304)	0	(1,923,304)
Non-Operating Cash Receipts/(Disbursements)			
Intergovernmental Receipts	98,775	0	98,775
USDA Loan Proceeds	351,623	0	351,623
USDA Grant Proceeds	2,225,264	0	2,225,264
Redemption of Principal	(436,747)	0	(436,747)
Interest and Other Fiscal Charges	(51,247)	0	(51,247)
Other Financing Sources	0	110,964	110,964
Other Financing Uses	(3,359)	(118,493)	(121,852)
Total Non-Operating Cash Receipts/(Disbursements)	2,184,309	(7,529)	2,176,780
Net Change in Fund Cash Balances	261,005	(7,529)	253,476
Fund Cash Balances, January 1	766,076	10,753	776,829
Fund Cash Balances, December 31, 2014	\$1,027,081	\$3,224	\$1,030,305

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

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 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 Hartville, Stark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and police services. The Village contracts with the Hartville Fire Department to receive fire protection services.

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

B. Accounting Basis

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. 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Fire Fund - This fund accounts for property tax money collected for fire protection.

EMS Fund - This fund accounts for property tax money collected for EMS protection.

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing State Highways within the Villages boundaries.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund:

Capital Improvement Fund - This fund receives cable franchise fees, royalties and lease fees relating to Village's industrial park for acquiring and constructing major capital projects.

4. 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 Enterprise Fund:

Sewer Fund - This fund receives charges for services from businesses and residents to cover sewer service costs and capital improvements.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village's only fiduciary fund was an Agency Fund.

Agency funds are purely custodial in nature and are used to hold resources for individuals, private organizations or other governments which are not available to support the Village's own programs. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the fines and fees collected and costs of the Village's Mayors Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Unencumbered appropriations lapse at year end.

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 reappropriated.

A summary of 2014 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the 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.

4. 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. 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.

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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.

G. 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.

H. Accumulated Leave

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

Note 2 – Equity in Pooled 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 and investments at December 31 was as follows:

	2014
Demand deposits	<u>\$2,369,472</u>
STAR Ohio	<u>413,670</u>
Total deposits and investments	<u><u>\$2,783,142</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,589,278	\$1,489,062	(\$100,216)
Special Revenue	1,230,121	785,592	(444,529)
Capital Projects	50,355	34,350	(16,005)
Enterprise	4,413,964	4,036,845	(377,119)
Total	\$7,283,718	\$6,345,849	(\$937,869)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,443,777	\$1,153,251	\$290,526
Special Revenue	1,204,799	996,986	207,813
Capital Projects	109,283	85,344	23,939
Enterprise	4,480,312	4,085,699	394,613
Total	\$7,238,171	\$6,321,280	\$916,891

Note 4 – Property Tax

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. Under certain circumstances, state statute permits later payment dates to be established.

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

Note 5 – Local Income Tax

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

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

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 6 – Debt

Debt outstanding at December 31, 2014 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
(OPWC) Ohio Public Works Commission Loan # CT710	\$243,875	0.00%
(OPWC) Ohio Public Works Commission Loan # CS805	\$77,793	0.00%
(OWDA) Ohio Water Development Authority Loan #2285	\$364,271	3.12%
(OWDA) Ohio Water Development Authority Loan #3722	\$89,692	0.00%
(OWDA) Ohio Water Development Authority Loan #4414	\$2,488,103	0.00%
(OWDA) Ohio Water Development Authority Loan #6445	\$275,550	0.00%
USDA Loan	<u>\$3,580,000</u>	2.50%
Total	<u><u>\$7,119,284</u></u>	

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

Year ending	OPWC	OPWC	OWDA	OWDA
December 31:	CT710	CS805	OWDA 2285	3722
2015	\$12,836	\$31,118	\$110,670	\$10,552
2016	12,836	31,118	110,670	10,552
2017	12,836	15,557	110,670	10,552
2018	12,836	0	55,335	10,552
2019	12,836	0	0	10,552
2020-2024	64,180	0	0	36,932
2025-2029	64,180	0	0	0
2030-2034	51,335	0	0	0
Total	<u>\$243,875</u>	<u>\$77,793</u>	<u>\$387,345</u>	<u>\$89,692</u>

Year ending	OWDA 4414	OWDA 6445	USDA Loan	TOTALS
December 31:				
2015	\$207,342	\$19,047	\$89,500	\$481,065
2016	207,342	19,047	147,000	538,565
2017	207,342	19,047	147,062	523,066
2018	207,342	19,047	146,987	452,099
2019	207,342	19,047	147,077	396,854
2020-2024	1,036,710	95,236	735,160	1,968,218
2025-2029	414,682	85,079	735,198	1,299,139
2030-2034	0	0	735,068	786,403
2035-2039	0	0	735,220	735,220
2040-2044	0	0	735,093	735,093
2045-2049	0	0	735,220	735,220
2049-2053	0	0	588,095	588,095
Total	<u>\$2,488,102</u>	<u>\$275,550</u>	<u>\$5,676,680</u>	<u>\$9,239,037</u>

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

The Ohio Public Works Commission CT710 relates to a sewer line replacement. The loan will be repaid with semiannual installments of \$6,418 until its maturity in 2033.

The Ohio Public Works Commission CS805 relates to a project for the increase in amount of gallons passing through the Waste Water Treatment Plant. The loan will be repaid with semiannual installments of \$15,559 until its maturity in 2017. The loan is secured by sewer receipts.

The Ohio Water Development Authority (OWDA) loan 2285 relates to a project for the expansion of the aerobic digester/sludge storage facilities and chlorine contact tank. The loan will be repaid with semiannual installments of principal and interest in the amount of \$55,335 until its maturity in 2018.

The Ohio Water Development Authority (OWDA) loan 3722 relates to a project for the construction of a sanitary sewer to connect to the existing Sunnyside lift station. The loan will be repaid with semiannual installments of \$5,276 until its maturity in 2023. The loan is secured by special assessment sewer receipts.

The Ohio Water Development Authority (OWDA) loan 4414 was obtained to construct Woodland Street sanitary sewer lines. The loan will be repaid with semiannual installments of \$103,671 until its maturity in 2027. The loan is secured by special assessment sewer receipts.

The Ohio Water Development Authority (OWDA) loan 6445 was obtained for a sewer line replacement project. The loan will be repaid in semiannual installments of \$9,523.50 until its maturity in 2029. The loan is secured by sewer receipts.

The Village entered into a loan agreement with the United States Department of Agriculture (USDA) which is in the form of three sewer system mortgage revenue bonds of the Village. The loan is a "draw down" type with the principal amount to be advanced to the Village by the USDA in installments. The Bonds were issued on March 11, 2013 in the amount of \$3,580,000 and purchased by USDA. As of December 31, 2014 the Village drew down the entire amount of \$3,580,000. The Bonds have a stated interest of 2.5% and mature in 2053. The loan, along with a grant of \$3,785,000, are being used to upgrade the sanitary sewer plant.

Note 7 – Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For the period January 1, 2014 through June 30, 2014, OP&F participants contributed 10.75% of their wages. For the period July 1, 2014 through December 31, 2014, OP&F participants contributed 11.5% of their wages. For 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014, 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, 2014.

Note 8 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2014, 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	<u>2014</u>	<u>2013</u>
Assets	\$35,402,177	\$34,411,883
Liabilities	<u>(12,363,257)</u>	<u>(12,760,194)</u>
Net Position	<u>\$23,038,920</u>	<u>\$21,651,689</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$18,310.

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.

<u>Contributions to PEP</u>
<u>2014</u>
\$23,664

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 for 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 9 – Contingent Liabilities

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.

**VILLAGE OF HARTVILLE
STARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct</i>			
Water and Waste Disposal Systems for Rural Communities		10.760	<u>\$2,576,887</u>
Total U.S. Department of Agriculture			<u>2,576,887</u>
Total Federal Awards Expenditures			<u>\$2,576,887</u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF HARTVILLE
STARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village of Hartville's (the Village's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) LOAN AND GRANT FUNDS

Of the \$2,576,887 disbursed during 2014, \$351,623 were loan funds and \$2,225,264 were grant funds. As of December 31, 2014, the Village has received \$3,580,000 in loan funds and \$3,580,000 remains outstanding.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Village of Hartville
Stark County
202 West Maple Street
Hartville, Ohio 44632

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 Village of Hartville, Stark County, (the Village) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 11, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Village of Hartville
Stark County
202 West Maple Street
Hartville, Ohio 44632

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Hartville's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Hartville's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Village of Hartville complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 11, 2015

**VILLAGE OF HARTVILLE
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse – GAAP Unmodified - Cash
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA#10.760 Water and Waste Disposal Systems for Rural Communities
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF HARTVILLE

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 13, 2015