

VILLAGE OF HANOVER

LICKING COUNTY

REGULAR AUDIT

JANUARY 1, 1999 - DECEMBER 31, 2000

FISCAL YEARS AUDITED UNDER GAGAS: 1999 & 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Village Council
Village of Hanover
Newark, Ohio

We have reviewed the Independent Auditor's Report of the Village of Hanover, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 1999 to December 31, 2000. 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 Hanover is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 22, 2001

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VILLAGE OF HANOVER
LICKING COUNTY
JANUARY 1, 1999 THROUGH DECEMBER 31, 2000

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Report of Independent Accountants

Village Council
Village of Hanover
Licking County
224 Valley Blvd. N.E.
Newark, Ohio 43055

We have audited the accompanying financial statements of the Village of Hanover, Licking County (the "Village"), as of and for the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Hanover, Licking County, as of December 31, 2000 and December 31, 1999, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 18, 2001, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
May 18, 2001

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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VILLAGE OF HANOVER
LICKING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types		Total
	General	Special Revenue	(Memorandum Only)
Cash receipts:			
Local taxes	\$59,658	\$39,644	\$99,302
Intergovernmental	16,487	14,060	30,547
Special assessments	559	317	876
Fines, licenses, and permits	1,616	-	1,616
Miscellaneous	4,570	-	4,570
	<u>82,890</u>	<u>54,021</u>	<u>136,911</u>
Total cash receipts			
Cash disbursements:			
Security of persons and property	10,313	24,063	34,376
Public health services	1,393	-	1,393
Basic utility services	8,942	-	8,942
Transportation	-	23,238	23,238
General government	41,911	-	41,911
	<u>62,559</u>	<u>47,301</u>	<u>109,860</u>
Total cash disbursements			
Excess of cash receipts over/(under) cash disbursements	20,331	6,720	27,051
Fund cash balances, January 1, 2000	<u>34,913</u>	<u>10,503</u>	<u>45,416</u>
Fund cash balances, December 31, 2000	<u><u>\$55,244</u></u>	<u><u>\$17,223</u></u>	<u><u>\$72,467</u></u>

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

VILLAGE OF HANOVER
LICKING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENT FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types		Total
	General	Special Revenue	(Memorandum Only)
Cash receipts:			
Local taxes	\$57,744	\$34,048	\$91,792
Intergovernmental	8,818	10,351	19,169
Special assessments	478	363	841
Fines, licenses, and permits	320	-	320
Miscellaneous	1,725	-	1,725
	<u>69,085</u>	<u>44,762</u>	<u>113,847</u>
Total cash receipts			
Cash disbursements:			
Security of persons and property	9,427	21,002	30,429
Public health services	1,298	-	1,298
Basic utility services	13,438	-	13,438
Transportation	-	31,168	31,168
General government	44,291	-	44,291
	<u>68,454</u>	<u>52,170</u>	<u>120,624</u>
Total cash disbursements			
Excess of cash receipts over/(under) cash disbursements	631	(7,408)	(6,777)
Fund cash balances, January 1, 1999	<u>34,282</u>	<u>17,911</u>	<u>52,193</u>
Fund cash balances, December 31, 1999	<u><u>\$34,913</u></u>	<u><u>\$10,503</u></u>	<u><u>\$45,416</u></u>

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

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Hanover, Licking County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village provides general governmental services, including water and sewer utilities, and security services. The Village operates under its own Charter. The Charter provides for a mayor-council form of government. The Village's financial reporting entity has no component units but includes the governmental fund and its fund types. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Street Maintenance Fund – This fund receives gasoline and motor vehicle tax for constructing, maintaining and repairing Village roads.

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2000 and 1999

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Special Revenue Funds – (Continued)

Fire District Fund – This fund receives levied taxes to pay the expenses incurred by the local volunteer fire department.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

A summary of 2000 and 1999 budgetary activity appears in Note C.

Property, Plant and Equipment

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

NOTE B – CASH

The Village maintains an interest bearing business checking account at a local financial institution, which is insured by the Federal Deposit Insurance Corporation. The carrying amount of the cash at December 31, 2000 and 1999 was \$72,467 and \$45,416, respectively.

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2000 and 1999

NOTE C – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 was as follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$64,040	\$ 82,890	\$18,850
Special revenue	<u>39,950</u>	<u>54,021</u>	<u>14,071</u>
Total	<u>\$103,990</u>	<u>\$136,911</u>	<u>\$32,921</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 67,520	\$ 62,559	\$ 4,961
Special revenue	<u>56,900</u>	<u>47,301</u>	<u>9,599</u>
Total	<u>\$124,420</u>	<u>\$109,860</u>	<u>\$14,560</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 83,835	\$ 69,085	(\$ 14,750)
Special revenue	<u>54,333</u>	<u>44,762</u>	<u>(9,571)</u>
Total	<u>\$138,168</u>	<u>\$113,847</u>	<u>(\$24,321)</u>

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2000 and 1999

NOTE C - BUDGETARY ACTIVITY - (Continued)

1999 Budgeted vs. Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 66,120	\$ 68,454	\$(2,334)
Special revenue	<u>56,900</u>	<u>52,170</u>	<u>4,730</u>
Total	<u>\$123,020</u>	<u>\$120,624</u>	<u>\$ 2,396</u>

NOTE D – PROPERTY TAX

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

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

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

NOTE E – DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan 8110	<u>\$20,165</u>	<u>5.88%</u>
OWDA Loan 8110	<u>53</u>	<u>5.88%</u>

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2000 and 1999

NOTE E - DEBT (Continued)

In 1997 the Village borrowed \$50,000 and \$90,000 from OWDA for the Drinking Water Planning Project and the Waste Water & Storm Water Project. The Village has only used \$20,218 of the combined \$140,000 available as of December 31, 2000. The loans are to be repaid in one balloon payment for each project on January 1, 2003. As of December 31, 2000 both loans have accrued a total of \$972 in interest.

NOTE F – RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

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

NOTE G – CAPITAL PROJECT

The Village entered into a grant agreement with the Ohio Public Works Commission (OPWC) in 1997 to provide funding for the Staggers Addition Storm Sewer Improvement Phase II project. The agreement is in the form of a grant, not to exceed \$102,255, which may be drawn upon over the improvement phase of the project. The Village did not draw upon this grant in 2000 and 1999. As of December 31, 2000, the Village has \$10,255 available to draw upon.

NOTE H – RELATED PARTY TRANSACTIONS

A Village Council member is an owner of a company, which the Village uses for maintenance related services. For the years ended December 31, 2000 and 1999, the Village paid \$15,924 and \$13,251, respectively, for such services.



**Report on Compliance and on Internal Control Required by
Governmental Auditing Standards**

Village Council
Village of Hanover
Licking County
224 Valley Blvd. N.E.
Newark, Ohio 43055

We have audited the accompanying financial statements of the Village of Hanover, Licking County, as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated May 18, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 18, 2001.

Wilson, Shannon & Snow, Inc.

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

Wilson, Sherman & Snow, Inc.

Newark, Ohio
May 18, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF HANOVER

LICKING 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
JULY 3, 2001**