



**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF HANOVERTON
COLUMBIANA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Hanoverton
Columbiana County
State Route 9
Hanoverton, Ohio 44423

To the Village Council:

We have audited the accompanying financial statements of the Village of Hanoverton, Columbiana County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and 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 our report dated November 21, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

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

Jim Petro
Auditor of State

November 21, 2000

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**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$11,240	\$5,073	\$16,313
Intergovernmental Receipts	22,640	12,364	35,004
Fines, Licenses, and Permits	9,693	1,620	11,313
Earnings on Investments	2,636	245	2,881
Miscellaneous	1,237	1,358	2,595
 Total Cash Receipts	47,446	20,660	68,106
 Cash Disbursements:			
Current:			
Security of Persons and Property	3,376	9,016	12,392
Public Health Services			
Leisure Time Activities	2,431		2,431
Basic Utility Services	243		243
Transportation	265	15,341	15,606
General Government	24,566		24,566
Capital Outlay	13,525	9,924	23,449
 Total Disbursements	44,406	34,281	78,687
 Total Receipts Over/(Under) Disbursements	3,040	(13,621)	(10,581)
 Other Financing Receipts/(Disbursements):			
Transfers-In		4,000	4,000
Transfers-Out	(4,000)		(4,000)
 Total Other Financing Receipts/(Disbursements)	(4,000)	4,000	
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(960)	(9,621)	(10,581)
 Fund Cash Balances January 1	91,632	28,827	120,459
 Fund Cash Balances, December 31	\$90,672	\$19,206	\$109,878
 Reserves for Encumbrances, December 31	\$380	\$3,691	\$4,071

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

VILLAGE OF HANOVERTON
COLUMBIANA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$14,568</u>
Total Non-Operating Cash Receipts	<u>14,568</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>14,568</u>
Total Non-Operating Cash Disbursements	<u>14,568</u>
Net Receipts Over/(Under) Disbursements	
Fund Cash Balance, January 1	<u> </u>
Fund Cash Balance, December 31	<u> </u>
Reserve for Encumbrances, December 31	<u> </u>

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

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$10,048	\$5,143	\$15,191
Intergovernmental Receipts	21,591	12,257	33,848
Fines, Licenses, and Permits	5,648	810	6,458
Earnings on Investments	3,261	479	3,740
Miscellaneous	2,568	3,647	6,215
 Total Cash Receipts	 43,116	 22,336	 65,452
Cash Disbursements:			
Current:			
Security of Persons and Property	2,815	5,670	8,485
Public Health Services	335		335
Leisure Time Activities	2,277		2,277
Transportation	245	6,817	7,062
General Government	25,053		25,053
Capital Outlay	2,111	7,891	10,002
 Total Disbursements	 32,836	 20,378	 53,214
 Total Receipts Over/(Under) Disbursements	 10,280	 1,958	 12,238
Other Financing Receipts/(Disbursements):			
Transfers-In		3,000	3,000
Transfers-Out	(3,000)		(3,000)
 Total Other Financing Receipts/(Disbursements)	 (3,000)	 3,000	
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 7,280	 4,958	 12,238
 Fund Cash Balances January 1 (Restated)	 84,352	 23,869	 108,221
 Fund Cash Balances, December 31	 \$91,632	 \$28,827	 \$120,459
 Reserves for Encumbrances, December 31	 \$396	 \$1,680	 \$2,076

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

VILLAGE OF HANOVERTON
COLUMBIANA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$8,103</u>
Total Non-Operating Cash Receipts	<u>8,103</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>8,103</u>
Total Non-Operating Cash Disbursements	<u>8,103</u>
Net Receipts Over/(Under) Disbursements	
Fund Cash Balance, January 1	<u> </u>
Fund Cash Balance, December 31	<u><u> </u></u>
Reserve for Encumbrances, December 31	<u><u> </u></u>

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

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity.

The Village of Hanoverton, Columbiana County, (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 is directed by a publicly-elected six-member Council. The Village provides general governmental services, street maintenance services, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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 when 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.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

Law Enforcement Trust Fund - This fund receives property tax money and general fund transfers for security of persons and property.

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

Mayor's Court Fund - This fund accounts for the operations of the Village of Hanoverton Mayor's Court solely in an agency capacity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds including the Village's Mayor's Court Agency Fund for which the Village does not budget) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The 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.

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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 63,759	\$ 74,609
Certificates of deposit	<u>46,119</u>	<u>45,850</u>
Total deposits	<u><u>\$109,878</u></u>	<u><u>\$120,459</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,341	\$ 47,446	\$ 4,105
Special Revenue	<u>22,225</u>	<u>24,660</u>	<u>2,435</u>
Total	<u><u>\$ 65,566</u></u>	<u><u>\$ 72,106</u></u>	<u><u>\$ 6,540</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 72,247	\$ 48,786	\$ 23,461
Special Revenue	<u>54,755</u>	<u>37,972</u>	<u>16,783</u>
Total	<u><u>\$ 127,002</u></u>	<u><u>\$ 86,758</u></u>	<u><u>\$ 40,244</u></u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,151	\$ 43,116	\$ (3,035)
Special Revenue	<u>20,197</u>	<u>25,336</u>	<u>5,139</u>
Total	<u><u>\$ 66,348</u></u>	<u><u>\$ 68,452</u></u>	<u><u>\$ 2,104</u></u>

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 72,631	\$ 36,232	\$ 36,399
Special Revenue	44,171	22,058	22,113
Total	\$ 116,802	\$ 58,290	\$ 58,512

The Village did not obtain prior certification for several expenditures as required by Ohio Revised Code Section 5705.41 (D). Also, the Village had appropriations exceed estimated receipts in the Street, Construction, Maintenance & Repair Fund for the period ending December 31, 1999 contrary to Ohio Revised Code Section 5705.39.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, 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.

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.

5. DEBT

The Village did not have any debt outstanding at December 31, 1999.

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan that provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

7. 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:

- General liability and casualty
- Public official's liability
- Vehicle

8. CHANGING METHOD OF REPORTING

The Village accounted for court computerization receipts in the General Fund prior to 1998. At January 1, 1998, Village Council established a Court Computerization Fund (special revenue fund type) and Management adjusted the residual amount of such receipts from the General Fund to the Court Computerization Fund. The net effect of these adjustments to the January 1, 1998 Fund Cash Balances follows:

	12/31/97 Fund Cash Balances	Net effect of Adjustments	1/1/98 Fund Cash Balances
General Fund	\$85,927	(\$1,575)	\$ 84,352
Special Revenue Funds	<u>22,294</u>	<u>1,575</u>	<u>23,869</u>
Total	<u>\$108,221</u>	<u>\$ 0</u>	<u>\$108,221</u>

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Hanoverton
Columbiana County
State Route 9
Hanoverton, Ohio 44423

To the Village Council:

We have audited the accompanying financial statements of the Village of Hanoverton, Columbiana County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated November 21, 2000. 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.

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 and contracts, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-31215-001 and 1999-31215-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 21, 2000.

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 the 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 November 21, 2000.

Village of Hanoverton
Columbiana County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

November 21, 2000

VILLAGE OF HANOVERTON
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998

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

FINDING NUMBER 1999-31215-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- (A) Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- (B) If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of Council.

The obligation date preceded the purchase order date in 35% of the expenditures tested to determine the Village's compliance with this provision. These transactions should have been certified at the time of obligation or after obligation using one of the exceptions provided.

The Village honored these contracts and/or orders for expenditure that it did not properly certify rather than declaring them null and void.

Incurring obligations prior to the fiscal officer's certification of the availability of funds for such obligations, could result in the Village expending more than was appropriated and/or available.

We recommend that Council create a control policy and/or procedures to ensure that purchases are certified by the Clerk-Treasurer prior to incurring the obligation or entering into a contract involving the expenditure of the Village's money, or certified using one of the exceptions, as per the requirements set forth in Ohio Revised Code § 5705.41 (D).

FINDING NUMBER 1999-31215-002

Noncompliance Citation

Ohio Revised Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Appropriations exceeded estimated receipts in the following fund:

Street, Construction, Maintenance & Repair Fund (1999) by \$6,716

FINDING NUMBER 1999-31215-002
(Continued)

This situation may lead to disbursements within said funds exceeding the actual revenue available.

We recommend that Management monitor their budgetary cycle throughout the year to ensure that appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF HANOVERTON

COLUMBIANA 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
JANUARY 02, 2001**