



**VILLAGE OF HILLS AND DALES
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF HILLS AND DALES
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	15

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Hills and Dales
Stark County
2200 Dunkeith Drive, NW
Canton, OH 44708

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Hills and Dales, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide 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, 2001 and 2000, 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 April 24, 2002, 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. That 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 audits.

This report is intended solely for the information and use of 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

April 24, 2002

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$0	\$161,306	\$161,306
Intergovernmental	49,686	25,303	74,989
Fines, Licenses, and Permits	1,705	160	1,865
Earnings on Investments	134,049	1,428	135,477
Miscellaneous	490	8,530	9,020
	<u>185,930</u>	<u>196,727</u>	<u>382,657</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,888	184,848	187,736
Public Health Services	6,991	0	6,991
Leisure Time Activities	81,000	0	81,000
Basic Utility Services	2,324	0	2,324
Transportation	14,993	0	14,993
General Government	70,094	0	70,094
Capital Outlay	137,988	8,720	146,708
	<u>316,278</u>	<u>193,568</u>	<u>509,846</u>
Total Cash Disbursements	<u>316,278</u>	<u>193,568</u>	<u>509,846</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(130,348)</u>	<u>3,159</u>	<u>(127,189)</u>
Other Financing Receipts/(Disbursements):			
Advances-In	20,000	20,000	40,000
Advances-Out	(20,000)	(20,000)	(40,000)
Contingencies	(3,753)	(1,866)	(5,619)
	<u>(3,753)</u>	<u>(1,866)</u>	<u>(5,619)</u>
Total Other Financing Receipts/(Disbursements)	<u>(3,753)</u>	<u>(1,866)</u>	<u>(5,619)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(134,101)</u>	<u>1,293</u>	<u>(132,808)</u>
Fund Cash Balances, January 1	<u>2,745,047</u>	<u>30,515</u>	<u>2,775,562</u>
Fund Cash Balances, December 31	<u>\$2,610,946</u>	<u>\$31,808</u>	<u>\$2,642,754</u>
Reserves for Encumbrances, December 31	<u>\$2,658</u>	<u>\$5,218</u>	<u>\$7,876</u>

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

**VILLAGE OF HILLS AND DALES
STARK 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		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$86	\$162,588	\$162,674
Intergovernmental	14,593	27,915	42,508
Fines, Licenses, and Permits	1,381	400	1,781
Earnings on Investments	152,964	0	152,964
Miscellaneous	213	1,088	1,301
	169,237	191,991	361,228
Cash Disbursements:			
Current:			
Security of Persons and Property	4,369	209,727	214,096
Public Health Services	3,865	0	3,865
Leisure Time Activities	50,000	0	50,000
Basic Utility Services	2,437	0	2,437
Transportation	4,500	0	4,500
General Government	57,584	0	57,584
Capital Outlay	48,958	8,091	57,049
	171,713	217,818	389,531
Total Cash Receipts Over/(Under) Cash Disbursements	(2,476)	(25,827)	(28,303)
Other Financing Receipts/(Disbursements):			
Advances-In	25,000	25,000	50,000
Advances-Out	(25,000)	(25,000)	(50,000)
Contingencies	(2,999)	(1,727)	(4,726)
	(2,999)	(1,727)	(4,726)
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(5,475)	(27,554)	(33,029)
Fund Cash Balances, January 1	2,750,522	58,069	2,808,591
Fund Cash Balances, December 31	\$2,745,047	\$30,515	\$2,775,562
Reserves for Encumbrances, December 31	\$103,266	\$2,015	\$105,281

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

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Hills and Dales, Stark 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 is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations and police services.

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

As presented in Note 8, the Village is associated with Local Organized Governments in Cooperation RED Center Operations, which is defined as a joint venture under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. In addition, as presented in Note 9, the Village is associated with Stark Council of Governments, which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity.

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

The Village maintains cash in an interest bearing checking account, certificates of deposits, and STAR Ohio. Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Investments are reported as assets.

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 Funds

These funds are used to account for proceeds from specific sources (other than from trusts) 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.

Police Fund - This fund receives tax revenue for police protection.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

	2001	2000
Demand deposits	\$ 60,783	\$ 65,604
Certificates of deposit	2,000,000	2,500,000
Total deposits	2,060,783	2,565,604
STAR Ohio	581,971	209,958
Total deposits and investments	\$2,642,754	\$2,775,562

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$205,930	\$205,930	\$0
Special Revenue	216,727	216,727	0
Total	\$422,657	\$422,657	\$0

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$445,315	\$342,689	\$102,626
Special Revenue	223,307	220,652	2,655
Total	\$668,622	\$563,341	\$105,281

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$194,237	\$194,237	\$0
Special Revenue	216,852	216,991	139
Total	\$411,089	\$411,228	\$139

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$302,978	\$302,978	\$0
Special Revenue	246,560	246,560	0
Total	\$549,538	\$549,538	\$0

4. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(D), certain expenditures were not certified by the Village Clerk prior to incurring the commitment.

5. 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 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. During 2000, the County rescinded the Village's general operating property tax levy due to the size of the Village's January 1, 2000 unencumbered fund balance.

6. RETIREMENT SYSTEM

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

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEM (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

The Village also provides health insurance and dental and vision coverage to full-time employees through the Ohio Public Entity Consortium.

8. JOINT VENTURE

The Village is a member of the Local Organized Governments in Cooperation (LOGIC) RED Center Operations, a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the Village, City of Massillon, Jackson Township, and City of Canal Fulton, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The Board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is not dependent on the Village's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the Village. During 2001 and 2000, the Village made contributions of \$2,820 in each year, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

9. JOINTLY GOVERNED ORGANIZATION

The Village participates in the Stark Council of Governments (the Council), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and townships with twenty-four participants providing twenty-seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens on the Village. The Village did not make any contributions during the fiscal year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from the Stark Council of Governments, Canton, Ohio.

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JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Village of Hills and Dales
Stark County
2200 Dunkeith Drive, NW
Canton, OH 44708

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Hills and Dales, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 24, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-31276-001.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 April 24, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

April 24, 2002

VILLAGE OF HILLS AND DALES
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-31276-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

1. Then and Now Certificates - 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, Village Council 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.
2. If the amount involved is less than \$1,000, the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of Village Council.

During 2001 and 2000, 44 out of 60 (73%) of the expenditures tested were not certified by the Village Clerk prior to incurring the commitment. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Village Clerk should inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Village should implement the use of so called Then and Now Certificates and blanket certificates as further permitted by Ohio Rev. Code Section 5705.41.

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**VILLAGE OF HILLS AND DALES
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-31276-001	Village expenditures were not certified in accordance with Ohio Rev. Code Section 5705.41(D) .	No	During 2000 and 2001, the Village had a total of 44 instances (~73%) where expenditures were not certified compared to ~47% during the prior audit period. Finding is repeated in the Schedule of Findings as item No. 2001-31276-001.
1999-31276-002	Village records were not maintained in accordance with Ohio Rev. Code Section 149.351 .	Corrected	The Village could not locate minute records for the July 2001 meeting of Village Council. However, all vouchers were available for inspection.
1999-31276-003	Retirement contributions to the appropriate retirement system in accordance with Ohio Rev. Code Section 742.01(2) .	Yes	Finding no longer valid.
1999-31276-004	Entities that use the cash basis of accounting follow the guidelines prescribed by Ohio Administrative Code Sections 117-05-01 to 117-05-18 .	Yes	Finding no longer valid.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF HILLS AND DALES

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
MAY 30, 2002**