



**Auditor of State
Betty Montgomery**

VILLAGE OF NEW BAVARIA
HENRY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Bavaria
Henry County
P.O. Box 256
New Bavaria, OH 43548-0256

To the Village Council:

We have audited the accompanying financial statements of the Village of New Bavaria, Henry County, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 fund cash balances of the Village as of December 31, 2002 and 2001, and its 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 28, 2003 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.

Village of New Bavaria
Henry County
Independent Accountants' Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 28, 2003

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$4,038	\$319	\$4,357
Intergovernmental Receipts	5,075	3,267	8,342
Earnings on Investments	65	63	128
Miscellaneous	3,481		3,481
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	12,659	3,649	16,308
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,679		1,679
Leisure Time Activities	625		625
Basic Utility Services	1,934		1,934
Transportation		1,973	1,973
General Government	7,598		7,598
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	11,836	1,973	13,809
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	823	1,676	2,499
Fund Cash Balances, January 1	8,053	1,073	9,126
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$8,876</u>	<u>\$2,749</u>	<u>\$11,625</u>

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

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$3,718	\$297	\$4,015
Intergovernmental Receipts	6,806	3,160	9,966
Earnings on Investments	75	73	148
Miscellaneous	50		50
Total Cash Receipts	<u>10,649</u>	<u>3,530</u>	<u>14,179</u>
Cash Disbursements:			
Current:			
Leisure Time Activities	1,033		1,033
Basic Utility Services	2,741		2,741
Transportation		2,155	2,155
General Government	7,359		7,359
Total Cash Disbursements	<u>11,133</u>	<u>2,155</u>	<u>13,288</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(484)	1,375	891
Fund Cash Balances, January 1	<u>8,537</u>	<u>(302)</u>	<u>8,235</u>
Fund Cash Balances, December 31	<u><u>\$8,053</u></u>	<u><u>\$1,073</u></u>	<u><u>\$9,126</u></u>

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

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Bavaria, Henry 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, including park operations (leisure time activities).

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. 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:

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 the other fund.

2. Special Revenue Fund

This fund is 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 Fund:

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

D. Budgetary Process

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

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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. Appropriations lapse at year end.

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. 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

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

	2002	2001
Demand deposits	\$11,625	\$9,126

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,900	\$12,659	(\$241)
Special Revenue	5,000	3,649	(1,351)
Total	\$17,900	\$16,308	(\$1,592)

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$14,309	\$11,836	\$2,473
Special Revenue	10,818	1,974	8,844
Total	<u>\$25,127</u>	<u>\$13,810</u>	<u>\$11,317</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,000	\$10,649	(\$2,351)
Special Revenue	5,000	3,530	(1,470)
Total	<u>\$18,000</u>	<u>\$14,179</u>	<u>(\$3,821)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$19,564	\$11,133	\$8,431
Special Revenue	4,921	2,155	2,766
Total	<u>\$24,485</u>	<u>\$13,288</u>	<u>\$11,197</u>

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 payments, 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. RETIREMENT SYSTEMS

The Village's officials belong to the Oho Public Employees Retirement System (OPERS). OPERS 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 NEW BAVARIA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

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

Village of New Bavaria
Henry County
P.O. Box 256
New Bavaria, OH 43548-0256

To the Village Council:

We have audited the accompanying financial statements of the Village of New Bavaria, Henry County, (the Village) as of and for the years ended December 31 2002 and 2001, and have issued our report thereon dated April 28, 2003. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items: 2002-001 to 2002-007. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated April 28, 2003.

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 28, 2003.

Village of New Bavaria
Henry County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 28, 2003

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states 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. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- a. Concerning contracts where the amount in question is \$3000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time that the contract or order was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- b. Concerning amounts less than Amounts of less than \$3000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5000 against any specific line-item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line-item appropriation.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Clerk did not make the proper certification of funds for 74 percent of the expenditures tested during the audit period. We recommend the Clerk certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "regular blanket", "then and now", or "super blanket" certificates.

FINDING NUMBER 2002-002

Noncompliance Citation

26 U.S.C. Section 3102(a) requires employers to withhold Social Security Medicare taxes from employees hired after April 1, 1986. This also applies to officials elected or appointed after April 1, 1986. The Village did not withhold Medicare taxes from the required employees and officials for the audit period.

FINDING NUMBER 2002-003

Noncompliance Citation

26 C.F.R. Section 1.6041-2 provides that W-2 forms must accurately reflect total gross wages paid to each employee or official for services rendered. The Village did not issue W-2 forms for officials receiving compensation in excess of six hundred dollars. We recommend the Village issue W-2 forms to each employee or official receiving compensation in excess of six hundred dollars.

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Revised Code § 145.03(A) states that membership in the public employees retirement system (OPERS) is compulsory upon being employed and shall continue as long as public employment continues. The Village has a part-time employee who is not a member of OPERS. We recommend this employee be enrolled in OPERS. If the employee is exempt from membership, the Village should retain documentation supporting this exemption.

FINDING NUMBER 2002-005

Finding for Adjustment

Ohio Revised Code § 5747.51(J) states that all money received into the treasury of a subdivision from the undivided local government fund in a county treasury shall be paid into the general fund and used for the current operating expenses of the subdivision. The Village incorrectly posted undivided local government receipts totaling \$3,521 in 2001 and \$723 in 2002 into the Street Construction, Maintenance, and Repair Fund. The adjustment has been made and is included as part of the financial statements.

FINDING NUMBER 2002-006

Finding for Adjustment

Ohio Revised Code § 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Village incorrectly posted gasoline tax receipts totaling \$345 into the General Fund in 2002. The adjustment has been made and is included as part of the financial statements.

FINDING NUMBER 2002-007

Finding for Adjustment

Ohio Revised Code § 5705.10 states all revenue derived from the following is required to be paid into the general fund: the general levy for current expense within the ten-mill limitation and any general levy for current expense authorized by vote in excess of the ten-mill limitation. The Village incorrectly posted rollback and homestead receipts totaling \$216 into the Street Construction, Maintenance, and Repair Fund in 2002. The adjustment has been made and is included as part of the financial statements.

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30135-001	Ohio Revised Code § 5705.41(D), improper fiscal officer certification of certain expenditures	No	Partially Corrected. Reissued as Finding #2002-01
2000-30135-002	Ohio Revised Code § 5747.51(J), local government monies were not credited to the General Fund	No	Not Corrected. Reissued as Finding #2002-005.
2000-30135-003	Ohio Revised Code § 4301.30(A), liquor permit monies were not credited to the General Fund	Yes	
2000-30135-004	Ohio Administrative Code § 117-5-10 (replaced by 117-2-02 as of 7/1/00), estimated revenue amounts were not posted to the ledgers	Yes	
2000-30135-005	Ohio Administrative Code § 117-5-11 (replaced by 117-2-02 as of 7/1/00), appropriation amounts were not posted to the ledgers	Yes	



**Auditor of State
Betty Montgomery**

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 NEW BAVARIA

HENRY 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
JUNE 10, 2003**