

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2004 and 2003

CAROL ROBERTSON, CLERK/TREASURER



Auditor of State Betty Montgomery

Village Council
Village of Harpster
P.O. Box 96
Harpster, Ohio 43323

We have reviewed the *Independent Auditor's Report* of the Village of Harpster, Wyandot County, prepared by Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Finding Repaid Under Audit

Auditor of State Bulletin 2003-005 states that government entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin addresses the requirements necessary to ensure that an entity's expenditure of public funds is for a proper public purpose. Additionally, the Bulletin states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Ohio Attorney General Opinion 82-006 addressed the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. The Court determined that there are two criteria that demonstrate whether an expenditure is for a public

Village Council
Village of Harpster
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purpose. First, the expenditure is required for the general good of all inhabitants. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only." (1982 Op. Atty. Gen. No. 82-006).

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 57; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex. rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228.

On December 9, 2004, the Village of Harpster paid \$308.66 to Woody's Restaurant for a Christmas party dinner for Village officials and their spouse/guest. Village Council took no action to memorialize that the expenditure was for a proper public purpose through a duly enacted ordinance or resolution. The Village officials and their spouse/guest (if applicable) listed below attended the dinner:

Name	Amount
Mayor John Schaadt	\$25.73
Council Member Darlene Schaadt	25.72
Council Member Jo Anne Larick and husband	51.44
Council Member Robert Michener and wife	51.44
Council Member Thomas Rose	25.72
Council Member James Schwilk	25.72
Council Member Dean Waggy & wife	51.44
Clerk/Treasurer Carol Robertson & husband	51.45
Total	\$308.66

On December 9, 2003, the Village of Harpster paid \$191.59 to Chuck's Finger Corner for a Christmas party dinner for Village officials and their spouse/guest. Village Council took no action to memorialize that the expenditure was for a proper public purpose through a duly enacted

Village Council
Village of Harpster
P.O. Box 96 Harpster, Ohio 43323
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ordinance or resolution. The Village officials and their spouse/guest listed below attended the dinner:

Name	Amount
Mayor John Schaadt	\$17.42
Council Member Darlene Schaadt	17.42
Council Member Jo Anne Larick and husband	34.83
Council Member Thomas Rose and wife	34.83
Council Member James Schwilk	17.42
Council Member Dean Waggy & wife	34.83
Clerk/Treasurer Carol Robertson & husband	34.84
Total	\$191.59

Based upon the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against the Mayor, Council Members, and Clerk/Treasurer as listed in the two tables above, and the Ohio Farmers Insurance Company, the Clerk/Treasurer's bonding company, jointly and severally, in favor of the General Fund of the Village of Harpster and in the amounts listed in the two tables above, for a total amount of \$500.25.

The finding for recovery was repaid by the Mayor, Council Members and Clerk/ Treasurer on December 27, 2005 in the total amount of \$500.25.

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 Harpster is responsible for compliance with these laws and regulations.



BETTY MONTGOMERY
Auditor of State

January 3, 2006

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**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Members of Council and Mayor
Village of Harpster
P.O. Box 96
Harpster, OH 43323

We have audited the accompanying financial statements of the Village of Harpster, Wyandot County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village of Harpster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit to reasonably assure 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 2, the Village of Harpster prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Harpster as of December 31, 2004 and 2003, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Harpster, Wyandot County, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2005, on our consideration of the Village of Harpster'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Julian & Grube, Inc.
July 6, 2005

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2004 AND 2003

<u>Cash and Cash Equivalents</u>	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 98,891	\$ 100,050
Total Cash and Cash Equivalents	<u>\$ 98,891</u>	<u>\$ 100,050</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 68,686	\$ 79,201
Special Revenue Funds	<u>30,205</u>	<u>20,849</u>
Total Governmental Fund Types	<u>98,891</u>	<u>100,050</u>
Total Fund Balances	<u>\$ 98,891</u>	<u>\$ 100,050</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and local taxes	\$ 15,527	\$ 2,355	\$ 17,882
Intergovernmental	6,743	6,618	13,361
Interest	1,401	106	1,507
Miscellaneous	776	1,184	1,960
Total cash receipts	<u>24,447</u>	<u>10,263</u>	<u>34,710</u>
Cash disbursements:			
Current:			
Security of persons and property	4,279	-	4,279
Public health services	1,473	-	1,473
Leisure time activities	6,761	-	6,761
Basic utility services	1,059	-	1,059
Transportation	-	907	907
General government	13,938	-	13,938
Capital outlay	<u>7,452</u>	<u>-</u>	<u>7,452</u>
Total cash disbursements	<u>34,962</u>	<u>907</u>	<u>35,869</u>
Total cash receipts over/(under) cash disbursements	(10,515)	9,356	(1,159)
Cash fund balances, January 1, 2004	<u>79,201</u>	<u>20,849</u>	<u>100,050</u>
Cash fund balances, December 31, 2004	<u>\$ 68,686</u>	<u>\$ 30,205</u>	<u>\$ 98,891</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HARPSTER
 WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND ENCUMBRANCES COMPARED WITH EXPENDITURE
 AUTHORITY - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 79,201	\$ 23,652	\$ 102,853	\$ 24,447	\$ 795	\$ -	\$ 98,353	\$ 98,353	\$ 34,962	\$ -	\$ 34,962	\$ 63,391
Special Revenue	20,849	5,401	26,250	10,263	4,862	-	26,250	26,250	907	-	907	25,343
Total												
(Memorandum Only)	\$ 100,050	\$ 29,053	\$ 129,103	\$ 34,710	\$ 5,657	\$ -	\$ 124,603	\$ 124,603	\$ 35,869	\$ -	\$ 35,869	\$ 88,734

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and local taxes	\$ 13,804	\$ 2,473	\$ 16,277
Intergovernmental	6,559	5,660	12,219
Interest	2,637	77	2,714
Miscellaneous	641	535	1,176
Total cash receipts	<u>23,641</u>	<u>8,745</u>	<u>32,386</u>
Cash disbursements:			
Current:			
Security of persons and property	3,876	-	3,876
Public health services	1,564	-	1,564
Leisure time activities	4,067	-	4,067
Basic utility services	1,750	-	1,750
Transportation	-	5,692	5,692
General government	21,570	-	21,570
Capital outlay	17,616	-	17,616
Total cash disbursements	<u>50,443</u>	<u>5,692</u>	<u>56,135</u>
Total cash receipts over/(under) cash disbursements	(26,802)	3,053	(23,749)
Cash fund balances, January 1, 2003	<u>106,003</u>	<u>17,796</u>	<u>123,799</u>
Cash fund balances, December 31, 2003	<u>\$ 79,201</u>	<u>\$ 20,849</u>	<u>\$ 100,050</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HARPSTER
 WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND ENCUMBRANCES COMPARED WITH EXPENDITURE
 AUTHORITY - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 106,003	\$ 22,680	\$ 128,683	\$ 23,641	\$ 961	\$ -	\$ 128,182	\$ 128,182	\$ 50,443	\$ -	\$ 50,443	\$ 77,739
Special Revenue	<u>17,796</u>	<u>5,400</u>	<u>23,196</u>	<u>8,745</u>	<u>3,345</u>	<u>-</u>	<u>23,196</u>	<u>23,196</u>	<u>5,692</u>	<u>-</u>	<u>5,692</u>	<u>17,504</u>
Total												
(Memorandum Only)	<u>\$ 123,799</u>	<u>\$ 28,080</u>	<u>\$ 151,879</u>	<u>\$ 32,386</u>	<u>\$ 4,306</u>	<u>\$ -</u>	<u>\$ 151,378</u>	<u>\$ 151,378</u>	<u>\$ 56,135</u>	<u>\$ -</u>	<u>\$ 56,135</u>	<u>\$ 95,243</u>

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Harpster, Wyandot County, (the "Village") is a body corporate and politic established for exercising 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 and lighting. The Village contracts with Wyandot County to provide ambulance services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

Governmental Fund Types

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund

These funds are used to account for proceeds of specific revenue sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specific purposes.

The Village had the following significant special revenue fund:

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

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 materials matters, as prescribed or permitted by the Auditor of State.

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the line item level within a department and fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council. The Village had several budget modifications throughout the years ended December 31, 2004 and 2003.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. Wyandot County waived this requirement for 2004 and 2003.

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2004 and December 31, 2003.

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$1,507 and \$2,714 for the years ended December 31, 2004 and 2003, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Village.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village’s cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - CASH AND CASH EQUIVALENTS

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 cash equivalents at December 31 was as follows:

	<u>2004</u>	<u>2003</u>
Deposits:		
Demand deposits	<u>\$ 98,891</u>	<u>\$ 100,050</u>
Total Cash and Cash Equivalents	<u>\$ 98,891</u>	<u>\$ 100,050</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.

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 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 on 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.

NOTE 5 - MISCELLANEOUS RECEIPTS

Miscellaneous receipts in the Special Revenue Fund Type for the years ended December 31, 2004 and 2003 consist of various reimbursements and refunds.

NOTE 6 - RETIREMENT SYSTEMS

One Village elected official belongs to the Ohio Public Employees Retirement System (OPERS). OPERS' is a cost sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The remaining elected officials contribute to social security and Medicare, if applicable.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. Social Security and Medicare contribution rates are 6.2% and 1.45%, respectively, for employee and employer for the years ended December 31, 2004 and 2003. At December 31, 2004, the Village did not have an unpaid liability for 2004. All amounts for 2003 have been paid.

**VILLAGE OF HARPSTER
WYANDOT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 7 - RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

NOTE 8 - CONTINGENT LIABILITIES

The Village is not currently involved in litigation.

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and Mayor
Village of Harpster
P.O. Box 96
Harpster, Ohio 43323

We have audited the financial statements of the Village of Harpster as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 6, 2005, wherein we noted the Village of Harpster followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Harpster's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that material to the financial statements we audited may occur and not be timely detected by employees when 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 certain matters involving the internal control over financial reporting that we have reported to the management of the Village of Harpster in a separate letter dated July 6, 2005.

Members of Council and Mayor
Village of Harpster

Compliance and Other Matters

As part of reasonably assuring whether the Village of Harpster'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, providing an opinion 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 that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance and other matters that we have reported to the management of the Village of Harpster in a separate letter dated July 6, 2005.

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

Julian & Grube, Inc.

Julian & Grube, Inc.
July 6, 2005



**Auditor of State
Betty Montgomery**

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VILLAGE OF HARPSTER

WYANDOT 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 17, 2006**