



**Auditor of State
Betty Montgomery**

VILLAGE OF HANOVERTON
COLUMBIANA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	18

This page intentionally left blank



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hanoverton
Columbiana County
P.O. Box 177
Hanoverton, Ohio 44423

To the Village Council:

We have audited the accompanying financial statements of the Village of Hanoverton, Columbiana County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 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 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Hanoverton, Columbiana County, as of December 31, 2003 and 2002, 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 February 28, 2005 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. 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 audit.

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 Section 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

February 28, 2005

**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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$12,853	\$4,856		\$17,709
Intergovernmental Receipts	23,155	13,138	\$3,896	40,189
Fines, Licenses, and Permits	5,568	1,250		6,818
Earnings on Investments	817	11		828
Miscellaneous	2,877	1		2,878
	<u>45,270</u>	<u>19,256</u>	<u>3,896</u>	<u>68,422</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,408	8,252		9,660
Public Health Services	991			991
Leisure Time Activities	3,238			3,238
Basic Utility Services	200			200
Transportation	260	12,433		12,693
General Government	30,758	1,632		32,390
Capital Outlay	4,469	1,378	13,723	19,570
	<u>41,324</u>	<u>23,695</u>	<u>13,723</u>	<u>78,742</u>
Total Cash Disbursements	<u>41,324</u>	<u>23,695</u>	<u>13,723</u>	<u>78,742</u>
Total Receipts Over/(Under) Disbursements	<u>3,946</u>	<u>(4,439)</u>	<u>(9,827)</u>	<u>(10,320)</u>
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes			10,000	10,000
Transfers-In		2,050		2,050
Transfers-Out	(2,050)			(2,050)
	<u>(2,050)</u>	<u>2,050</u>	<u>10,000</u>	<u>10,000</u>
Total Other Financing Receipts/(Disbursements)	<u>(2,050)</u>	<u>2,050</u>	<u>10,000</u>	<u>10,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,896	(2,389)	173	(320)
Fund Cash Balances, January 1	<u>101,084</u>	<u>17,238</u>		<u>118,322</u>
Fund Cash Balances, December 31	<u>\$102,980</u>	<u>\$14,849</u>	<u>\$173</u>	<u>\$118,002</u>

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 - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts:	
Fines, Licences, and Permits	<u>\$8,783</u>
Total Operating Cash Receipts	<u>8,783</u>
Operating Cash Disbursements:	
Other	<u>8,783</u>
Total Operating Cash Disbursements	<u>8,783</u>
Operating Income/(Loss)	<u> </u>
Net Receipts Over/(Under) Disbursements	<u> </u>
Fund Cash Balances, January 1	<u> </u>
Fund Cash Balances, December 31	<u><u> </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, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$13,002	\$4,806	\$17,808
Intergovernmental Receipts	15,830	11,508	27,338
Fines, Licenses, and Permits	7,847	1,340	9,187
Earnings on Investments	3,564		3,564
Miscellaneous	4,666		4,666
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	44,909	17,654	62,563
Cash Disbursements:			
Current:			
Security of Persons and Property	1,424	7,214	8,638
Public Health Services	851		851
Leisure Time Activities	2,546		2,546
Basic Utility Services	200		200
Transportation	246	13,438	13,684
General Government	27,422	630	28,052
Capital Outlay	5,820	120	5,940
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	38,509	21,402	59,911
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	6,400	(3,748)	2,652
Other Financing Receipts and (Disbursements):			
Transfers-In		8,000	8,000
Transfers-Out	(8,000)		(8,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(8,000)	8,000	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,600)	4,252	2,652
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	104,621	12,986	117,607
Fund Cash Balances, December 31	<hr/> \$103,021 <hr/>	<hr/> \$17,238 <hr/>	<hr/> \$120,259 <hr/>

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 - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Fines, License and Permits	\$11,612
Total Operating Cash Receipts	11,612
Operating Cash Disbursements:	
Other	11,612
Total Operating Cash Disbursements	11,612
Operating Income/(Loss)	
Net Receipts Over/(Under) Disbursements	
Fund Cash Balances, January 1	
Fund Cash Balances, December 31	

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, 2003 AND 2002**

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

Investments are reported as assets. 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.

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 money for constructing, maintaining and repairing Village streets.

Police Fund - This fund receives property tax money and general fund transfers for the security of persons and property.

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project funds:

Grant Construction Fund - This fund receives grant money for constructing, repairing and maintaining the parks.

Other Capital Projects Fund – This fund receives proceeds of an OWDA loan for updating the Village drainage system.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary 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) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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:

	2003	2002
Demand deposits	\$71,254	\$73,593
Certificates of deposit	46,748	46,666
Total deposits	118,002	120,259

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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,538	\$45,270	(\$5,268)
Special Revenue	35,692	21,306	(14,386)
Capital Projects	13,896	13,896	0
Total	\$100,126	\$80,472	(\$19,654)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,526	\$43,374	\$39,152
Special Revenue	56,500	23,695	32,805
Capital Projects	10,000	13,723	(3,723)
Total	\$149,026	\$80,792	\$68,234

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,628	\$44,909	\$4,281
Special Revenue	16,950	25,654	8,704
Total	\$57,578	\$70,563	\$12,985

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,541	\$46,509	\$37,032
Special Revenue	56,750	21,402	35,348
Total	\$140,291	\$67,911	\$72,380

Contrary to Ohio law, the Village did not obtain prior certification for several expenditures for the years ended December 31, 2003 and 2002. Also contrary to Ohio law, the Village had total appropriations exceed estimated resources in the 2003 SCMR Fund by \$13,613 and 2002 SCMR Fund by \$26,114. Also, contrary to Ohio law, disbursements exceeded appropriations in the Grant Construction fund by \$3,896 for the year ended December 31, 2003. Also, contrary to Ohio law, several appropriation amendments were entered into the Village's accounting system and reported to the County Auditor without Village Council adopting said amended appropriation resolutions as required.

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.

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

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$10,000	2.20%

The Ohio Water Development Authority (OWDA) loan relates to a drainage project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$10,000 in loans to the Village for this project. The loan will be repaid in ten annual installments including a 2.2% interest rate commencing with the fourth annual payment. The scheduled payment amount below assumes that \$10,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is uncollateralized.

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT – (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>OWDA Loan</u>
2005	\$1,000
2006	1,000
2007	1,000
2008	1,022
2009	1,022
2010-15	<u>5,110</u>
Total	<u><u>\$10,154</u></u>

6. RETIREMENT SYSTEMS

Employees 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$ 1,811,340	\$ 1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>\$ (1,841,812)</u>	<u>\$ (2,006,153)</u>

This page intentionally left blank.



Auditor of State Betty Montgomery

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

Village of Hanoverton
Columbiana County
P.O. Box 177
Hanoverton, Ohio 44423

To the Village Council:

We have audited the financial statements of the Village of Hanoverton, Columbiana County (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 28, 2005 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations and contracts, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated February 28, 2005.

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 the Village's management in a separate letter dated February 28, 2005.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Village of Hanoverton
Columbiana 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 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.

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

Betty Montgomery
Auditor of State

February 28, 2005

VILLAGE OF HANOVERTON
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit 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 an obligation in the fiscal year in which the contract is made, 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **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.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village entered into obligations prior to the certification of the Clerk-Treasurer and encumbering procedures were completed in 21% of disbursements tested for the years ended December 31, 2003 and 2002. There was no evidence of a "then and now" certificate being issued for these commitments. 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.

**FINDING NUMBER 2003-001
 (Continued)**

The Village should obtain the certification of the fiscal officer and encumber funds prior to commitment. This will help to ensure the Village does not expend more funds than were appropriated and/or available and maintain the Village's compliance to this provision.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.39 provides, in part, 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.

Total appropriations exceeded estimated resources in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
2003 SCMR	19,487	33,100	(13,613)
2002 SCMR	7,286	33,400	(26,114)

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

We recommend that Village Council and the Clerk/Treasurer monitor appropriations and estimated resources and file amendments as needed with the County Auditor in order to receive a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. This will help to reduce the risk of disbursements exceeding the actual revenues available as well as add a measure of control over the Village's budgetary process.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

The Grant Construction Fund was not appropriated in 2003; therefore, actual disbursements exceeded appropriations within this fund.

<u>Fund</u>	<u>Appropriations</u>	<u>Actual Disbursements</u>	<u>Variance</u>
2003 Grant Construction	-	3,896	(3,896)

This situation leads to the increased possibility that deficit spending could occur.

Village Council and the Clerk/Treasurer should monitor their budgetary cycle throughout the year to ensure that disbursements do not exceed the appropriations and prior year carryover encumbrances; also, such appropriations should be amended to reflect the increased activities of each fund. This will help to ensure monies are properly appropriated and available for disbursement.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Revised Code § 5705.40 states, in part, that any appropriation ordinance or measure may be amended or supplemented provided that such amendment or supplement shall comply with all provisions of the law governing the taxing authority in making an original appropriation.

No appropriation amendments were passed by Village Council for the years ended December 31, 2003 and 2002; however, the accounting system reflected the following significant amendments entered by the Clerk/Treasurer and filed with the County Auditor:

	<u>Fund</u>	<u>Council Approved Appropriations</u>	<u>System Appropriations</u>	<u>\$ Variance</u>
2003	General	82,526	45,516	(37,010)
	SCMR	33,100	11,045	(22,055)
	State Hwy	3,500	700	(2,800)
	Police Fund	13,350	8,576	(4,774)
	PMVLT	4,000	3,000	(1,000)
	Grant Construction	-	4,000	4,000
	Mayor's Computerization	2,550	1,700	(850)
2002	General	83,541	47,343	(36,198)
	SCMR	33,400	12,195	(21,205)
	State Hwy	3,500	443	(3,057)
	Police Fund	13,300	7,236	(6,064)
	PMVLT	4,000	1,100	(2,900)
	Mayor's Computerization	2,550	670	(1,880)

A budget to actual report taken from the accounting system is given to Village Council for budgetary decision making and monitoring purposes on a monthly basis. Inaccurate information used in the decision making process leads to an increased possibility that deficit spending could occur and detracts from the monitoring controls established over the budgetary and disbursement cycles.

Although we did not identify, for the periods ending December 31, 2003 and 2002, any instances where deficit spending occurred, we recommend the Village adopt amended appropriations before entering said amendments into the accounting system. This will help to ensure monies are properly appropriated and available for disbursement as well as add a measure of control over the Village's disbursement cycle.

**VILLAGE OF HANOVERTON
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-31215-001	Ohio Revised Code §5705.41(D), failure to certify funds,	No	Not corrected. This was reissued as finding #2003-001
2001-31215-002	Ohio Revised Code §5705.39, Total appropriations exceeded estimated resources	No	Not corrected. This was reissued as finding #2003-002



**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 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
APRIL 12, 2005**