

VILLAGE OF HANOVER

LICKING COUNTY

REGULAR AUDIT

JANUARY 1, 2001 - DECEMBER 31, 2002

FISCAL YEARS AUDITED UNDER GAGAS: 2001 & 2002



**Auditor of State
Betty Montgomery**

Members of Council
Village of Hanover

We have reviewed the Independent Auditor's Report of the Village of Hanover, Licking County, prepared by Wilson, Shannon & Snow, Inc. for the audit period January 1, 2001 through December 31, 2002. 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.

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 Hanover is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 31, 2003

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VILLAGE OF HANOVER
LICKING COUNTY
JANUARY 1, 2001 THROUGH DECEMBER 31, 2002

Table of Contents

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, 2002	2
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
Notes to the Financial Statements	4
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	10
Schedule of Findings	12

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Report of Independent Accountants

Village Council
Village of Hanover
Licking County
224 Valley Blvd. N.E.
Newark, Ohio 43055

We have audited the accompanying financial statements of the Village of Hanover, Licking County (the Village), as of and for the years ended December 31, 2002 and December 31, 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 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Hanover, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 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 audit.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
February 13, 2003

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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VILLAGE OF HANOVER
LICKING 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

	Governmental Fund Types		Total
	General	Special Revenue	(Memorandum Only)
Cash receipts:			
Local taxes	\$63,322	\$42,280	\$105,602
Intergovernmental	-	6,711	6,711
Fines, licenses, and permits	7,281	-	7,281
Earnings on investments	788	330	1,118
Miscellaneous	1,883	-	1,883
Total cash receipts	73,274	49,321	122,595
Cash disbursements:			
Security of persons and property	12,056	26,165	38,221
Public health services	804	-	804
Basic utility services	8,395	-	8,395
Transportation	-	23,192	23,192
General government	33,497	-	33,497
Repayment of debt	30,000	-	30,000
Total cash disbursements	84,752	49,357	134,109
Excess of cash receipts over/(under) cash disbursements	(11,478)	(36)	(11,514)
Fund cash balances at beginning of year	69,594	21,648	91,242
Fund cash balances at end of year	\$58,116	\$21,612	\$79,728

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

VILLAGE OF HANOVER
LICKING COUNTY

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

	Governmental Fund Types		Total
	General	Special Revenue	(Memorandum Only)
Cash receipts:			
Local taxes	\$64,164	\$35,347	\$99,511
Intergovernmental	289	13,440	13,729
Fines, licenses, and permits	4,509	-	4,509
Earnings on investments	577	269	846
Miscellaneous	2,016	-	2,016
Total cash receipts	71,555	49,056	120,611
Cash disbursements:			
Security of persons and property	10,502	25,340	35,842
Public health services	1,393	-	1,393
Basic utility services	11,170	-	11,170
Transportation	-	19,291	19,291
General government	34,140	-	34,140
Total cash disbursements	57,205	44,631	101,836
Excess of cash receipts over/(under) cash disbursements	14,350	4,425	18,775
Fund cash balances at beginning of year	55,244	17,223	72,467
Fund cash balances at end of year	\$69,594	\$21,648	\$91,242

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

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The Village of Hanover, Licking 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 provides general governmental services, including water and sewer utilities. The Village operates under its own Charter. The Charter provides for a mayor-council form of government. The Village's financial reporting entity has no component units. Village management believes these financial statements present all activities for which the Village is financially accountable.

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 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.

Fund Accounting

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

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.

Special Revenue Funds

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 Maintenance Fund – This fund receives gasoline and motor vehicle tax for constructing, maintaining and repairing Village roads.

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2002 and 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Special Revenue Funds – (Continued)

Fire District Fund – This fund receives levied taxes to pay the expenses incurred by the local volunteer fire department.

Budgetary Process

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

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 Village 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.

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.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

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

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.

NOTE B – CASH

The Village maintains an interest bearing business checking account at a local financial institution, which is insured by the Federal Deposit Insurance Corporation. The carrying amount of the cash at December 31, 2002 and 2001 was \$79,728 and \$91,242, respectively.

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2002 and 2001

NOTE C – BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 was as follows:

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 69,653	\$ 73,274	\$ 3,621
Special Revenue	<u>47,127</u>	<u>49,321</u>	<u>2,194</u>
Total	<u>\$116,780</u>	<u>\$122,595</u>	\$ <u>5,815</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 72,100	\$ 84,752	\$(12,652)
Special Revenue	<u>57,050</u>	<u>49,357</u>	<u>7,693</u>
Total	<u>\$129,150</u>	<u>\$134,109</u>	\$ <u>(4,959)</u>

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 79,155	\$ 71,555	\$ (7,600)
Special Revenue	<u>45,103</u>	<u>49,056</u>	<u>3,953</u>
Total	<u>\$124,258</u>	<u>\$120,611</u>	\$ <u>(3,647)</u>

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2002 and 2001

NOTE C - BUDGETARY ACTIVITY - CONTINUED

2001 Budgeted vs. Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 67,670	\$ 57,205	\$10,465
Special Revenue	<u>56,900</u>	<u>44,631</u>	<u>12,269</u>
Total	<u>\$124,570</u>	<u>\$101,836</u>	<u>\$22,734</u>

NOTE D – PROPERTY TAX

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

NOTE E – DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Balance</u>	<u>Interest Rate</u>
OWDA Loan 2017 (formerly 8110)	\$ 3,110	5.88%
OWDA Loan 2018 (formerly 8111)	<u>15,163</u>	5.88%
Total	<u>\$18,273</u>	

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2002 and 2001

NOTE E – DEBT- CONTINUED

In 1997 the Village borrowed \$50,000 and \$90,000 from OWDA for the Drinking Water Planning Project and the Waste Water & Storm Water Project. The Village has only used \$44,228 of the combined \$140,000 available as of December 31, 2002. The loans are to be repaid in monthly payments of \$500 on Loan #2017 and \$200 on Loan #2018 beginning January 1, 2003. As of December 31, 2002, the Village has made a \$30,000 payment on Loan #2017 and has made one payment of \$200 on Loan #2018.

In 2002, the Village has been approved for an additional \$31,700 from OWDA for the Sewer Project. The Village has not requested any of these funds as of December 31, 2002. This is an interest-free loan with a maturity date of July 1, 2008.

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

	OWDA Loan 2017	OWDA Loan 2018
Year ending December 31:		
2003	\$3,110	\$ 2,400
2004	-	2,400
2005	-	2,400
2006	-	2,400
2007	-	2,400
Subsequent	-	<u>3,163</u>
Total	<u>\$3,110</u>	<u>\$15,163</u>

NOTE F – RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

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

Village of Hanover
Licking County

NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2002 and 2001

NOTE G – CAPITAL PROJECT

The Village entered into a grant agreement with the Ohio Public Works Commission (OPWC) in 1997 to provide funding for the Staggers Addition Storm Sewer Improvement Phase II project. The agreement is in the form of a grant, not to exceed \$102,255, which may be drawn upon over the improvement phase of the project. The Village did not draw upon this grant in 2001. As of December 31, 2001, the grant agreement had been terminated and no funds are available to draw upon.

As noted in Note E, the Village has been approved for a \$31,700 planning loan from OWDA for the Sewer Project. As of December 31, 2002, the Village has not received any of these funds.

NOTE H – RELATED PARTY TRANSACTIONS

A Village Council member is an owner of a company which the Village uses for maintenance related services. For the years ended December 31, 2002 and 2001, the Village paid \$24,118 and \$12,185, respectively, for such services.

The Village entered into a lease agreement with the Village Zoning Director in which the Village pays him \$100 each month to lease a part of his land to be used as a parking lot by the Village. The lease took effect on August 1, 2002 and as of December 31, 2002, the Village paid the Zoning Director \$500.

NOTE I – RETIREMENT SYSTEMS

The Village had no employees during 2002 and 2001. All Village elected officials opted not to participate in PERS which is allowable under PERS Membership definitions.



Report on Compliance and on Internal Control Required by Government Auditing Standards

Village Council
Village of Hanover
Licking County
224 Valley Blvd. N.E.
Newark, Ohio 43055

We have audited the financial statements of the Village of Hanover, Licking County, as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated February 13, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 13, 2003.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 and 2002-002.

Wilson, Shannon & Snow, Inc.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving 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 February 13, 2003.

This report is intended solely for the information and use of management, the Village Council and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

Wilson, Shuman & Snow, Inc.

Newark, Ohio
February 13, 2002

Village of Hanover
Licking County, Ohio

December 31, 2002 and December 31, 2001

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-001
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COMPLIANCE

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Total expenditures for the year ended December 31, 2002 exceeded appropriations by \$12,652. As a result, the Village was making expenditures during the fiscal year that were not appropriated.

Finding Number	2002-02
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COMPLIANCE

Ohio Rev. Code Section 9.38 requires that public money must be deposited with the treasurer of the public office or to designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public officials may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

Zoning permit fees collected by the Zoning Director were not deposited in accordance with Ohio Rev. Code requirements. In 7 out of 10 cases, monies collected were not deposited within the time frame outlined by the Ohio Rev. Code. Of these cases, three were deposited within two weeks after receipt date, three were deposited within a month after receipt date, and one receipt was deposited nine months after receipt date.

We recommend the Village deposit receipts in accordance with the outlined Ohio Rev. Code requirements. We also recommend that if monies collected do not exceed \$1,000 the Village adopt a policy that would allow the money to be safeguarded until the deposit is made.



**Auditor of State
Betty Montgomery**

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VILLAGE OF HANOVER

LICKING 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 15, 2003**