



**Auditor of State
Betty Montgomery**

VILLAGE OF HAVILAND
PAULDING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
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, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	15

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Haviland
Paulding County
201 Vine Street, P.O. Box 114
Haviland, OH 45851-0114

To the Village Council:

We have audited the accompanying financial statements of the Village of Haviland, Paulding 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 combined fund cash balances of the Village as of December 31, 2002 and 2001, 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 July 18, 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 Haviland
Paulding County
Independent Accountants' Report
Page 2

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 § 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

July 18, 2003

**VILLAGE OF HAVILAND
PAULDING 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>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$24,262	\$13,249		\$37,511
Intergovernmental Receipts	19,064	13,113	\$36,809	68,986
Earnings on Investments	1,450	228		1,678
Miscellaneous	2,593			2,593
Total Cash Receipts	<u>47,369</u>	<u>26,590</u>	<u>36,809</u>	<u>110,768</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,968	6,952		8,920
Leisure Time Activities	742			742
Transportation		6,236		6,236
General Government	39,595			39,595
Capital Outlay			36,809	36,809
Total Cash Disbursements	<u>42,305</u>	<u>13,188</u>	<u>36,809</u>	<u>92,302</u>
Total Receipts Over Disbursements	5,064	13,402		18,466
Fund Cash Balances, January 1	<u>66,339</u>	<u>33,428</u>		<u>99,767</u>
Fund Cash Balances, December 31	<u><u>\$71,403</u></u>	<u><u>\$46,830</u></u>		<u><u>\$118,233</u></u>

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

**VILLAGE OF HAVILAND
PAULDING COUNTY**

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

	<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	\$21,147	\$11,217		\$32,364
Intergovernmental Receipts	16,466	13,669	\$9,600	39,735
Earnings on Investments	3,013	117		3,130
Miscellaneous	1,357			1,357
	<u>41,983</u>	<u>25,003</u>	<u>9,600</u>	<u>76,586</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	1,576	6,816		8,392
Leisure Time Activities	605			605
Transportation		21,770		21,770
General Government	29,332			29,332
Capital Outlay			9,600	9,600
	<u>31,513</u>	<u>28,586</u>	<u>9,600</u>	<u>69,699</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>10,470</u>	<u>(3,583)</u>		<u>6,887</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		14,500		14,500
Transfers-Out	(14,500)			(14,500)
	<u>(14,500)</u>	<u>14,500</u>		
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,030)	10,917		6,887
Fund Cash Balances, January 1	<u>70,369</u>	<u>22,511</u>		<u>92,880</u>
Fund Cash Balances, December 31	<u>\$66,339</u>	<u>\$33,428</u>		<u>\$99,767</u>

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

**VILLAGE OF HAVILAND
PAULDING 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 Haviland, Paulding 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, park operations (leisure time activities), police services, and fire and emergency medical service are provided by the Village of Scott.

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 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 and motor vehicle tax money for constructing, maintaining and repairing Village streets.

EMS and Fire Levy Fund – This fund receives property tax monies for providing EMS and Fire protection services.

**VILLAGE OF HAVILAND
PAULDING COUNTY**

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

Community Block Development Grant Fund - This fund received proceeds from the County CDBG Program. The proceeds were used to construct new sidewalks and demolish an old school building.

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, 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 cancelled and reappropriated in the subsequent year.

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

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

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

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$118,233</u>	<u>\$99,767</u>

**VILLAGE OF HAVILAND
PAULDING COUNTY**

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

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, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,000	\$47,369	\$2,369
Special Revenue	31,100	26,590	(4,510)
Capital Projects	40,000	36,809	(3,191)
Total	\$116,100	\$110,768	(\$5,332)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,900	\$42,305	\$18,595
Special Revenue	26,550	13,188	13,362
Capital Projects	35,000	36,809	(1,809)
Total	\$122,450	\$92,302	\$30,148

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,400	\$41,983	(\$7,417)
Special Revenue	25,799	39,503	13,704
Capital Projects	10,000	9,600	(400)
Total	\$85,199	\$91,086	\$5,887

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,970	\$46,013	\$12,957
Special Revenue	37,400	28,586	8,814
Capital Projects	10,000	9,600	400
Total	\$106,370	\$84,199	\$22,171

4. COMPLIANCE

The Village Clerk did not certify the availability of funds prior to the Village incurring obligations, as required by Ohio Revised Code § 5705.41(D).

**VILLAGE OF HAVILAND
PAULDING COUNTY**

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

In 2002 the Village was the beneficiary of \$4,409 of Ohio Public Works money sent directly to the vendor. This activity was not recorded on the ledgers of the Village. The accompanying financial statements have been adjusted to reflect the amount in the Capital Project Funds. This adjustment caused expenditures to exceed appropriations in the OPWC Fund in 2002, which is contrary to Ohio Revised Code § 5705.41(B) which requires all expenditures to be appropriated.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Tax 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.

6. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Ohio 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.

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. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5 percent of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5 percent of the first \$1,000,000 property treaty (up to

**VILLAGE OF HAVILAND
PAULDING COUNTY**

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

\$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55 percent and 65 percent of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65 percent is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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**Auditor of State
Betty Montgomery**

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

Village of Haviland
Paulding County
201 Vine Street, P.O. Box 114
Haviland, OH 45851-0114

To the Village Council:

We have audited the accompanying financial statements of the Village of Haviland, Paulding County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 18, 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 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 18, 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 July 18, 2003.

Village of Haviland
Paulding 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

July 18, 2003

**VILLAGE OF HAVILAND
PAULDING COUNTY**

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

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that 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. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. 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 purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than \$1,000 (\$3,000 effective April 2003), the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

None of the Village transactions were certified by the Clerk/Treasurer. Certification is not only required by Ohio law but is also a key control in the disbursement process to assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements we recommend all Village disbursements, be certified by the Clerk/Treasurer and Council periodically review the expenditures made to ensure they are certified by the Clerk/Treasurer and recorded against appropriations.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Revised Code § 5705.42 states that when the United States government or the State or any department division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purposes by the taxing authority of the subdivision, and is deemed in the process of collection within the meaning of § 5705.41, of the Ohio Revised Code.

FINDING NUMBER 2002-002
(Continued)

In 2002 the Village was the beneficiary of \$4,409 of Ohio Public Works money sent directly to the vendor. This activity was not recorded on the ledgers of the Village. The accompanying financial statements have been adjusted to reflect the amount in the Capital Project Funds. This adjustment caused expenditures to exceed appropriations in the OPWC Fund in 2002, which is contrary to Ohio Revised Code § 5705.41(B) which requires all expenditures to be appropriated.

We recommend the Village record all benefits received from State and Federal Grants as a memo receipt and expenditure on the Village's records, request an amended certificate of estimated resources for these funds and the Council approve a corresponding appropriation for the expenditure.

VILLAGE OF HAVILAND
PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30263-001	ORC § 5705.41(D) Prior Certification of Funds	No	No improvement has been made and this finding has been repeated in this report as item 2002-001.



**Auditor of State
Betty Montgomery**

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VILLAGE OF HAVILAND

PAULDING 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
AUGUST 19, 2003**