



**VILLAGE OF HARROD
ALLEN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF HARROD

TABLE OF CONTENTS

TITLE	PAGE
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, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types – For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Harrod
Allen County
P.O. Box 129
Harrod, Ohio 45850

To the Village Council:

We have audited the accompanying financial statements of the Village of Harrod, Allen County, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards 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 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, 1999 and 1998, 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 May 18, 2000, 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.

This report is intended solely for the information and use of the 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

May 18, 2000

This page intentionally left blank.

**VILLAGE OF HARROD
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$20,928	\$0	\$20,928
Intergovernmental Receipts	46,654	25,394	72,048
Charges for Services	0	510	510
Fines, Licenses, and Permits	70	0	70
Earnings on Investments	4,060	1,622	5,682
Miscellaneous	636	23	659
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	72,348	27,549	99,897
Cash Disbursements:			
Current:			
Security of Persons and Property	8,931	0	8,931
Public Health Services	751	0	751
Leisure Time Activities	582	0	582
Community Environment	0	800	800
Basic Utility Services	336	0	336
Transportation	9,041	15,248	24,289
General Government	18,712	0	18,712
Capital Outlay	1,048	0	1,048
	<hr/>	<hr/>	<hr/>
Total Disbursements	39,401	16,048	55,449
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	32,947	11,501	44,448
Fund Cash Balances January 1	<hr/>	<hr/>	<hr/>
	48,239	42,614	90,853
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$81,186	\$54,115	\$135,301

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

**VILLAGE OF HARROD
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$60,329
Total Operating Cash Receipts	60,329
Operating Cash Disbursements:	
Personal Services	8,786
Fringe Benefits	1,565
Contractual Services	25,381
Supplies and Materials	2,016
Miscellaneous	225
Capital Outlay	2,358
Total Operating Cash Disbursements	40,331
Operating Income/(Loss)	19,998
Net Receipts Over/(Under) Disbursements	19,998
Fund Cash Balances, January 1	18,421
Fund Cash Balances, December 31	\$38,419

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

**VILLAGE OF HARROD
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$18,468	\$0	\$18,468
Intergovernmental Receipts	33,027	26,291	59,318
Fines, Licenses, and Permits	65	0	65
Earnings on Investments	12,452	776	13,228
Miscellaneous	2,143	0	2,143
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	66,155	27,067	93,222
Cash Disbursements:			
Current:			
Security of Persons and Property	8,543	0	8,543
Public Health Services	708	0	708
Leisure Time Activities	1,986	0	1,986
Community Environment	0	3,500	3,500
Basic Utility Services	491	0	491
Transportation	7,457	11,997	19,454
General Government	19,984	537	20,521
Capital Outlay	3,007	0	3,007
	<hr/>	<hr/>	<hr/>
Total Disbursements	42,176	16,034	58,210
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	23,979	11,033	35,012
Other Financing Receipts/(Disbursements):			
Transfers-Out	<hr/>	<hr/>	<hr/>
	(3,259)	0	(3,259)
Total Other Financing Receipts/(Disbursements)	<hr/>	<hr/>	<hr/>
	(3,259)	0	(3,259)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	20,720	11,033	31,753
Fund Cash Balances January 1	<hr/>	<hr/>	<hr/>
	27,519	31,581	59,100
Fund Cash Balances, December 31	<hr/> \$48,239 <hr/>	<hr/> \$42,614 <hr/>	<hr/> \$90,853 <hr/>

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

**VILLAGE OF HARROD
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$60,331
Total Operating Cash Receipts	60,331
Operating Cash Disbursements:	
Personal Services	9,382
Fringe Benefits	2,393
Contractual Services	37,999
Supplies and Materials	2,475
Capital Outlay	8,699
Miscellaneous	450
Total Operating Cash Disbursements	61,398
Operating Income/(Loss)	(1,067)
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	1,350
Total Non-Operating Cash Receipts	1,350
Non-Operating Cash Disbursements:	
Debt Service	(254,479)
Total Non-Operating Cash Disbursements	(254,479)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(254,196)
Transfers-In	254,479
Transfers-Out	(251,220)
Net Receipts Over/(Under) Disbursements	(250,937)
Fund Cash Balances, January 1	269,358
Fund Cash Balances, December 31	\$18,421

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

**VILLAGE OF HARROD
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Harrod, Allen County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, 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. 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 Fund:

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

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Service Fund - The debt service fund is used to make payments on sewer debt.

**VILLAGE OF HARROD
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The Ohio Revised Code requires that each fund 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 carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 173,720	\$ 109,274

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 HARROD
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,864	\$ 72,348	\$ 39,484
Special Revenue	20,800	27,549	6,749
Enterprise	65,000	60,329	(4,671)
Total	<u>\$ 118,664</u>	<u>\$ 160,226</u>	<u>\$ 41,562</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 81,773	\$ 39,401	\$ 42,372
Special Revenue	63,414	16,048	47,366
Enterprise	82,071	40,331	41,740
Total	<u>\$ 227,258</u>	<u>\$ 95,780</u>	<u>\$ 131,478</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 31,940	\$ 66,155	\$ 34,215
Special Revenue	23,157	27,067	3,910
Enterprise	341,308	316,160	(25,148)
Total	<u>\$ 396,405</u>	<u>\$ 409,382</u>	<u>\$ 12,977</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,413	\$ 45,435	\$ 13,978
Special Revenue	51,581	16,034	35,547
Enterprise	609,316	567,097	42,219
Total	<u>\$ 720,310</u>	<u>\$ 628,566</u>	<u>\$ 91,744</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions.

**VILLAGE OF HARROD
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX (Continued)

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 payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. RETIREMENT SYSTEMS

Village officials and 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. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Wrongful Acts
- Law Enforcement
- Inland Marine

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

8. RELATED PARTY TRANSACTIONS

The Village Council contracted with a council member's son for several projects throughout the year. The Village paid \$12,987 in 1998 and \$7,824 in 1999 to the contractor.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Village of Harrod
Allen County
P.O. Box 129
Harrod, Ohio 45850

To the Village Council:

We have audited the accompanying financial statements of the Village of Harrod, Allen County, (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 18, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 18, 2000.

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 management of the Village in a separate letter dated May 18, 2000.

This report is intended for the information and use of the 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

May 18, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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 HARROD

ALLEN 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
JULY 25, 2000**