



**Auditor of State
Betty Montgomery**

VILLAGE OF HILLS AND DALES
STARK COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hills and Dales
Stark County
2200 Dunkeith Drive N.W.
Canton, Ohio 44708

To the Village Council:

We have audited the accompanying financial statements of the Village of Hills and Dales, Stark County, Ohio, (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 conduct the audit of 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 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 and reserves for encumbrances of the Village 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 August 3, 2004 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.

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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

August 3, 2004

**VILLAGE OF HILLS AND DALES
STARK 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$26	\$188,996	\$189,022
Intergovernmental Receipts	13,827	27,872	41,699
Fines, Licenses, and Permits	514	348	862
Earnings on Investments	31,053	125	31,178
Miscellaneous	171	5,967	6,138
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	45,591	223,308	268,899
Cash Disbursements:			
Current:			
Security of Persons and Property	2,523	185,320	187,843
Public Health Services	7,393		7,393
Leisure Time Activities	89,080		89,080
Community Environment	1,394		1,394
Basic Utility Services	1,579	2,654	4,233
Transportation	5,476		5,476
General Government	35,819		35,819
Capital Outlay	2,471	1,809	4,280
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	145,735	189,783	335,518
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (100,144)	<hr/> 33,525	<hr/> (66,619)
Other Financing Receipts/(Disbursements):			
Contingencies	(4,522)	(6,514)	(11,036)
Refund of Prior Year Expenditures		73	73
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(4,522)	(6,441)	(10,963)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/> (104,666)	<hr/> 27,084	<hr/> (77,582)
Fund Cash Balances, January 1	<hr/> 2,533,677	<hr/> 73,750	<hr/> 2,607,427
Fund Cash Balances, December 31	<hr/> \$2,429,011	<hr/> \$100,834	<hr/> \$2,529,845
Reserves for Encumbrances, December 31	<hr/> <hr/> \$14,263	<hr/> <hr/> \$8,179	<hr/> <hr/> \$22,442

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

**VILLAGE OF HILLS AND DALES
STARK 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$13	\$164,041	\$164,054
Intergovernmental Receipts	34,550	37,003	71,553
Fines, Licenses, and Permits	570	125	695
Earnings on Investments	103,989	22	104,011
Miscellaneous	5,602	9,984	15,586
	<u>144,724</u>	<u>211,175</u>	<u>355,899</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	7,776	162,131	169,907
Public Health Services	4,178		4,178
Leisure Time Activities	60,703		60,703
Community Environment	3,260		3,260
Basic Utility Services	938	890	1,828
Transportation	19,895		19,895
General Government	103,268		103,268
Capital Outlay	14,128	3,356	17,484
	<u>214,146</u>	<u>166,377</u>	<u>380,523</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(69,422)</u>	<u>44,798</u>	<u>(24,624)</u>
Other Financing Receipts/(Disbursements):			
Contingencies	(6,871)	(3,832)	(10,703)
Transfers-In		976	976
Transfers-Out	(976)		(976)
Advances-In	28,783	28,783	57,566
Advances-Out	(28,783)	(28,783)	(57,566)
	<u>(7,847)</u>	<u>(2,856)</u>	<u>(10,703)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(77,269)	41,942	(35,327)
Fund Cash Balances, January 1	<u>2,610,946</u>	<u>31,808</u>	<u>2,642,754</u>
Fund Cash Balances, December 31	<u>\$2,533,677</u>	<u>\$73,750</u>	<u>\$2,607,427</u>
Reserves for Encumbrances, December 31	<u>\$3,054</u>	<u>\$9,968</u>	<u>\$13,022</u>

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

**VILLAGE OF HILLS AND DALES
STARK 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 Hills and Dales, Stark 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 park operations and police services.

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

As presented in Note 8, the Village is associated with Local Organized Governments in Cooperation RED Center Operations, which is defined as a joint venture under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. In addition, as presented in Note 9, the Village is associated with Stark Council of Governments, which is defined as a jointly governed organization under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity.

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

The Village maintains cash in an interest bearing checking account, certificates of deposits, and STAR Ohio (the State Treasurer's investment pool). Certificates of deposit are valued at cost. The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

Investments are included in the fund cash balances. 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.

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.

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 has the following significant Special Revenue Fund:

Police Fund – This fund receives tax revenue for police protection.

E. 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 the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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. The Village did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	(\$16,113)	(\$13,092)
Certificates of deposit	2,000,000	2,000,000
Total deposits	1,983,887	1,986,908
STAR Ohio	415,958	485,519
Repurchase Agreement	130,000	135,000
Total investments	545,958	620,519
Total deposits and investments	\$2,529,845	\$2,607,427

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,800	\$45,591	(\$17,209)
Special Revenue	213,064	223,381	10,317
Total	\$275,864	\$268,972	(\$6,892)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,254	\$164,520	\$19,734
Special Revenue	226,963	204,476	22,487
Total	\$411,217	\$368,996	\$42,221

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,529	\$144,724	(\$19,805)
Special Revenue	199,252	212,151	12,899
Total	\$363,781	\$356,875	(\$6,906)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$299,184	\$225,047	\$74,137
Special Revenue	203,227	180,177	23,050
Total	\$502,411	\$405,224	\$97,187

4. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(D), certain expenditures were not certified by the Village Clerk prior to incurring the commitment.

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 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.

6. RETIREMENT SYSTEM

The Village's law enforcement officers and other part-time 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.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS 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.

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance and dental and vision coverage to full-time employees through the Ohio Public Entity Consortium.

8. JOINT VENTURE

The Village is a member of the Local Organized Governments in Cooperation (LOGIC) RED Center Operations, a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the Village, City of Massillon, Jackson Township, and the City of Canal Fulton, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The Board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is not dependent on the Village's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the Village. During 2003 and 2002, the Village made contributions of \$3,048 and \$3,108, respectively, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

9. JOINTLY GOVERNED ORGANIZATION

The Village participates in the Stark Council of Governments (the Council), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and townships with twenty-four participants providing twenty-seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens on the Village. The Village did not make any contributions during the fiscal year 2003 or 2002 and does not have an equity interest in the Council. Financial statements of the Council may be obtained from the Stark Council of Governments, Canton, Ohio.

10. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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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 Hills and Dales
Stark County
2200 Dunkeith Drive N.W.
Canton, Ohio 44708

To the Village Council:

We have audited the accompanying financial statements of the Village of Hills and Dales, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 3, 2004 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 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 2003-001 through 2003-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 3, 2004.

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.

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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 August 3, 2004.

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

August 3, 2004

**VILLAGE OF HILLS AND DALES
STARK COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Finding for Recovery Repaid Under Audit

Pursuant to Ordinance 2002-12, wages paid for a part-time patrolman shall be \$10/hour payable bi-weekly. However, during our test of certain Village employee's 2003 payroll earnings, we noted part-time police officer Staci D. Kamp's gross wages totaled \$228 (\$24/hour x 9.5 hours) for pay period ended November 21, 2003. Consequently, Ms. Kamp's gross wages should have been \$95 (\$10/hour x 9.5 hours) which resulted in an over payment totaling \$133.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued jointly and severally against Staci D. Kamp and V. Margaret Loretto, Bookkeeper in the amount of \$133 and in favor of the Village of Hills and Dale's General Fund.

No other additional over payments were detected; however, the Village Clerk/Treasurer and Bookkeeper should perform more extensive reviews to ensure other over payment problems do not exist related to the authorized hourly wage. For example, the Village Clerk/Treasurer and Bookkeeper should reconcile each employee's Payroll Time Sheet to the Village of Hills and Dales Police Activity Log and payroll check. The Village Clerk/Treasurer and Bookkeeper should sign and date the Payroll Time Sheet as evidence this reconciliation was performed. This will help ensure each employee's gross wages are complete and accurate.

On August 5, 2004, Staci Kamp paid the finding for recovery in full to the Village of Hills and Dales (personal check no. 4923) and it was subsequently deposited and recorded by the Village on August 9, 2004.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 731.14 requires, in pertinent part, that all contracts made by the legislative authority of a village, other than compensation of persons employed in the village, which exceed \$15,000 (\$25,000 effective September 26, 2003) are subject to competitive bidding procedures. Such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the Village. The bids shall be opened and publicly read by the clerk of the village or a person designated by the clerk at the time, date, and place specified in the advertisement to bidders.

During 2003 and 2002, the Village paid \$89,080 and \$71,881, respectively, to Warstler Brothers Landscaping, Inc. for landscaping and snow plow services rendered within the Village. In addition, during November 2003, the Village approved quotes from Northstar Inc. for the Foxhill project consisting of road repair, gutter replacement, and catch basins for a total of \$35,000. The Village entered into agreements for the above services without written contracts awarded through proper competitive bidding. The Village should follow competitive bidding procedures for all contracts subject to Ohio Rev. Code Section 731.14 which exceed \$15,000 (\$25,000 effective September 26, 2003).

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 742.01, 742.31, and 742.33 define who should be members of the Ohio Police and Fire Pension Fund and address employee and employer contributions to the fund.

The Village's full-time law enforcement officers did not contribute to the Ohio Police and Fire Pension Fund, but instead contributed to the Ohio Public Employees Retirement System. Currently, the Village contends that 25% of full-time law enforcement officers time worked is attributed to street commissioner duties such as keeping roadways open and free from debris, notifying proper authorities when roadways need salt or plowing, and reporting to the road supervisor if drainage ditches or basins become clogged. In addition, the Village has modified the full-time law enforcement officer job descriptions to include their responsibilities for various routine street work. However, upon review of certain 2003 and 2002 full-time law enforcement officer timesheets, an average of one hour per pay was charged for routine street work that could not always be supported by underlying documentation. The full-time law enforcement officers are compensated from the Village's Special Revenue Police Fund for their police work and from the General Fund for their street work, all of which are public funds of the Village. It appears the Village's full-time law enforcement officers should be members of the Police and Fire Pension Fund. If it is determined that these officers are full-time police officers that should be part of the Ohio Police and Fire Pension Fund, the failure of the Village to properly withhold and remit retirement contributions to the Ohio Police and Fire Pension Fund may subject the Village to penalties and charges.

This issue will be referred to the Ohio Police and Fire Pension Fund for whatever action it deems necessary.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certification shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time the certificate was completed a sufficient sum was appropriated and free of any previous encumbrances, the Village Council 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
- If the amount involved is less than \$1,000 (which was increased to \$3,000 as of April 7, 2003), the Clerk may authorize it to be paid without affirmation from the Village Council upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

FINDING NUMBER 2003-004
(Continued)

During 2003 and 2002, 19% and 31% of expenditures tested, respectively, were not certified as to the availability of funds by the Village Clerk prior to incurring the obligations. In addition, neither of the two aforementioned exceptions were utilized by the village. The Village Clerk should inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Village should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**VILLAGE OF HILLS AND DALES
STARK 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>
2001-31276-001	Ohio Rev. Code Section 5705.41(D) – During 2001 and 2000, 44 out of 60 (73%) of the expenditures tested were not certified by the Village Clerk prior to incurring the commitment.	No	Refer to Finding 2003-004.



**Auditor of State
Betty Montgomery**

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VILLAGE OF HILLS AND DALES

STARK 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
NOVEMBER 9, 2004**