



**Auditor of State
Betty Montgomery**

**VILLAGE OF HARBOR VIEW
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Harbor View
Lucas County
P. O. Box 96
Harbor View, Ohio 43434-0096

To the Village Council:

We have audited the accompanying financial statements of the Village of Harbor View (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 described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Harbor View as of December 31, 2003 and 2022, 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 October 6, 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.

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.



Betty Montgomery
Auditor of State

October 6, 2004

**VILLAGE OF HARBOR VIEW
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 6,393		\$ 6,393
Special Assessments		\$ 2,693	2,693
Intergovernmental Receipts	6,653	3,531	10,184
Fines, Licenses, and Permits	299		299
Miscellaneous	18,669		18,669
	<u>32,014</u>	<u>6,224</u>	<u>38,238</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	28	1,600	1,628
Public Health Services	236		236
Leisure Time Activities	974		974
Community Environment	355		355
Transportation		5,585	5,585
General Government	29,138		29,138
	<u>30,731</u>	<u>7,185</u>	<u>37,916</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	1,283	(961)	322
Fund Cash Balances, January 1	11,246	19,142	30,388
Fund Cash Balances, December 31	<u>\$ 12,529</u>	<u>\$ 18,181</u>	<u>\$ 30,710</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF HARBOR VIEW
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 6,997		\$ 6,997
Special Assessments		\$ 2,692	2,692
Intergovernmental Receipts	6,873	3,826	10,699
Fines, Licenses, and Permits	250		250
Miscellaneous	13,710		13,710
	<u>27,830</u>	<u>6,518</u>	<u>34,348</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	27	1,486	1,513
Public Health Services	243		243
Leisure Time Activities	368		368
Transportation		2,357	2,357
General Government	25,464		25,464
	<u>26,102</u>	<u>3,843</u>	<u>29,945</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	1,728	2,675	4,403
Fund Cash Balances, January 1	8,151	17,834	25,985
Fund Cash Balances, December 31	<u>\$ 9,879</u>	<u>\$ 20,509</u>	<u>\$ 30,388</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF HARBOR VIEW
LUCAS 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 Harbor View, Lucas 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 public service and recreation. The Village contracts with the Lucas County Sheriff's department to provide security of persons and property. The Village contracts with the City of Oregon to provide fire protection 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.

**VILLAGE OF HARBOR VIEW
LUCAS COUNTY**

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

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.

Street Lighting Fund - This fund receives revenues from special assessments for street lighting.

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 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF HARBOR VIEW
LUCAS COUNTY**

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

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 AND INVESTMENTS

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

	2003	2002
Demand deposits	\$ 30,710	\$ 30,388

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 21,493	\$ 32,014	\$ 10,521
Special Revenue	4,649	6,224	1,575
Total	\$ 26,142	\$ 38,238	\$ 12,096

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 41,410	\$ 30,731	\$ 10,679
Special Revenue	23,790	7,185	16,605
Total	\$ 65,200	\$ 37,916	\$ 27,284

**VILLAGE OF HARBOR VIEW
LUCAS COUNTY**

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 25,598	\$ 27,830	\$ 2,232
Special Revenue	4,573	6,518	1,945
Total	<u>\$ 30,171</u>	<u>\$ 34,348</u>	<u>\$ 4,177</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 36,918	\$ 26,102	\$ 10,816
Special Revenue	21,000	3,843	17,157
Total	<u>\$ 57,918</u>	<u>\$ 29,945</u>	<u>\$ 27,973</u>

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$8,670 for 2003 and \$3,169 for 2002. Appropriations also exceeded estimated resources in the Permissive Motor Vehicle License fund by \$443 for the year ended December 31, 2002. The fiscal officer certification was not present on all purchase commitments of the Village.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF HARBOR VIEW
LUCAS COUNTY**

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

5. RETIREMENT SYSTEMS

The Village Mayor, Clerk, and Council elected to belong to the Social Security System.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

7. MISCELLANEOUS REVENUE

The Village leases space to the United States Post Office and the Harbor View Yacht Club. During fiscal year 2003 lease revenue made up 96 percent of the Miscellaneous Revenue line item on the financial statements and 99 percent for fiscal year 2002.

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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 Harbor View
Lucas County
P. O. Box 96
Harbor View, Ohio 43434-0096

To the Village Council:

We have audited the financial statements of the Village of Harbor View (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 6, 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Village's management in a separate letter dated October 6, 2004.

This report is intended 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.



Betty Montgomery
Auditor of State

October 6, 2004

**VILLAGE OF HARBOR VIEW
LUCAS 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

Noncompliance Citation

Ohio Revised Code § 5705.41(D) prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer that the money is appropriated and is available or is in the process of collection and free from previous encumbrances. 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, 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 such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars (which was increased to \$3,000 as of April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of Council, upon completion of a then and now certificate, provided that the expenditure is otherwise lawful..

Ninety-five percent of disbursements tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the clerk certify that money is appropriated and is available or is in the process of collection and free from pervious encumbrance before making any contract or giving any order involving the expenditure of money. When prior certification is not feasible, we recommend the clerk utilize then and now certificates.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.39 provides that total appropriations from each fund must not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village's appropriations for the general and special revenue fund exceeded the amount contained in the Certificate of Estimated Resources for fiscal year 2003 and 2002.

	Estimated Revenues	Appropriations	Variance
<u>FY 2003:</u>			
General Fund	\$ 32,652	\$ 41,322	\$ 8,670

	Estimated Revenues	Appropriations	Variance
<u>FY 2002:</u>			
General Fund	\$ 33,749	\$ 36,918	\$ 3,169
Special Revenue Fund:			
Permissive MVLT	4,557	5,000	443

We recommend Village Council monitor the budget to assure that the total amount appropriated for each fund does not exceed the amount contained in the Certificate of Estimated resources for that fund.

**VILLAGE OF HARBOR VIEW
LUCAS 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>
2001-30148-001	Ohio Revised Code § 5705.41(D) - Invoice date preceded the purchase order date.	No	Not corrected, Re-issued as finding number 2003-001.
2001-30148-001	Ohio Revised Code § 5705.36 - Appropriations exceeded amount contained in certificate of estimated resources	No	Not corrected, Re-issued as finding number 2003-002.



**Auditor of State
Betty Montgomery**

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**VILLAGE OF HARBOR VIEW
LUCAS 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 16, 2004**