



**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEW BAVARIA
HENRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11
Schedule of Prior Audit Findings	15

This page intentionally left blank.



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

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Bavaria
Henry County
P.O. Box 256
New Bavaria, Ohio 43548-0256

To the Village Council:

We have audited the accompanying financial statements of the Village of New Bavaria, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. 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 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 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 fund cash balances of the Village as of December 31, 2000 and 1999, and its 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 22, 2001 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.

This report is intended solely for the information and use of 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.

Jim Petro
Auditor of State

May 22, 2001

This page intentionally left blank.

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$3,989	\$257	\$4,246
Intergovernmental Receipts	3,448	3,311	6,759
Miscellaneous	5,137	111	5,248
	<u>12,574</u>	<u>3,679</u>	<u>16,253</u>
Total Cash Receipts			
	<u>12,574</u>	<u>3,679</u>	<u>16,253</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	41		41
Leisure Time Activities	6,177		6,177
Basic Utility Services	2,993		2,993
Transportation		8,193	8,193
General Government	8,340		8,340
	<u>17,551</u>	<u>8,193</u>	<u>25,744</u>
Total Cash Disbursements			
	<u>17,551</u>	<u>8,193</u>	<u>25,744</u>
Total Disbursements Over Receipts	(4,977)	(4,514)	(9,491)
Fund Cash Balances, January 1	<u>13,514</u>	<u>4,212</u>	<u>17,726</u>
Fund Cash Balances, December 31	<u><u>\$8,537</u></u>	<u><u>(\$302)</u></u>	<u><u>\$8,235</u></u>

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

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**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	\$4,155	\$280	\$4,435
Intergovernmental Receipts	4,507	3,383	7,890
Miscellaneous	341	118	459
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	9,003	3,781	12,784
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	217		217
Leisure Time Activities	530		530
Basic Utility Services	2,743		2,743
Transportation		2,857	2,857
General Government	7,430		7,430
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	10,920	2,857	13,777
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(1,917)	924	(993)
Fund Cash Balances, January 1	15,431	3,288	18,719
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$13,514	\$4,212	\$17,726
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Bavaria, Henry 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 (leisure time activities).

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

This fund is 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.

VILLAGE OF NEW BAVARIA
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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 function 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. The Village did not use the encumbrance method of accounting. No material unrecorded encumbrances were outstanding at December 31.

A summary of 2000 and 1999 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. The carrying amount of cash at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$8,235</u>	<u>\$17,726</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,000	\$12,574	\$2,574
Special Revenue	4,000	3,679	(321)
Total	\$14,000	\$16,253	\$2,253

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,572	\$17,551	\$5,021
Special Revenue	9,154	8,193	961
Total	\$31,726	\$25,744	\$5,982

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,000	\$9,003	(\$997)
Special Revenue	4,000	3,781	(219)
Total	\$14,000	\$12,784	(\$1,216)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,250	\$10,920	\$13,330
Special Revenue	8,450	2,857	5,593
Total	\$32,700	\$13,777	\$18,923

Contrary to Ohio Administrative Code, for certain funds, the Village did not report estimated resources from the amended estimated certificates and estimated expenditures from appropriation resolutions. The budgetary financial note correctly reflects approved budgeted resources and appropriations.

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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.

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

The Village's 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. For 2000 and 1999, members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. At December 31, 2000, the Village has \$104 in unpaid contributions.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

7. COMPLIANCE

Contrary to Ohio Revised Code, certain amounts for liquor permits (\$282) and undivided local government monies (\$976) were credited to the Street Construction, Maintenance and Repair fund instead of the General fund.



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

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Village of New Bavaria
Henry County
P.O. Box 256
New Bavaria, Ohio 43548-0256

To the Village Council:

We have audited the accompanying financial statements of the Village of New Bavaria, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 22, 2001. We conducted our audits 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 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: 2000-30135-001, 2000-30135-002, 2000-30135-003, 2000-30135-004 & 2000-30135-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 22, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 22, 2001.

Village of New Bavaria
Henry County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 22, 2001

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30135-001

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. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.

- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Clerk-Treasurer did not make the proper certification of funds for 95 percent of the transactions tested during the audit period. We recommend that the Clerk-Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "regular blanket", "then and now" or "super blanket" certificates.

FINDING NUMBER 2000-30135-002

Finding for Adjustment

Ohio Revised Code § 5747.51 (J) states that all money received into the treasury of a subdivision from the undivided local government fund in a county treasury shall be paid into the general fund and used for the current operating expenses of the subdivision. The Village incorrectly posted undivided local government receipts totaling \$976 into the Street Construction, Maintenance & Repair Fund in 1999. Based on these facts a finding for adjustment is hereby issued for \$976 against the Street Construction, Maintenance & Repair Fund in favor of the General Fund.

FINDING NUMBER 2000-30135-003

Finding for Adjustment

Ohio Revised Code § 4301.30 (A) designates the amounts for liquor permits distributed to municipal corporations to be used by the general fund of the municipal corporation. In 2000, the Village incorrectly posted amounts for liquor permits totaling \$282 into the Street Construction, Maintenance & Repair Fund. Based on these facts a finding for adjustment is hereby issued for \$282 against the Street Construction, Maintenance & Repair Fund in favor of the General Fund.

FINDING NUMBER 2000-30135-004

Noncompliance Citation

Ohio Administrative Code § 117-5-10 (replaced by Ohio Administrative Code 117-2-02, as of July 1, 2000) states each village shall maintain a receipts ledger which shall contain a separate sheet for each account established by the village. The Village shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

Estimated revenue amounts from the certificate of estimated resources were not posted to the receipts ledger for 2000 and 1999. The budgetary financial note correctly reflects amounts from the certificate of estimated resources.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position.

We recommend the Clerk-Treasurer post estimated revenue amounts approved in the "Official Amended Certificates of Estimated Resources" into the receipts ledger.

FINDING NUMBER 2000-30135-005

Noncompliance Citation

Ohio Administrative Code § 117-5-11 (replaced by Ohio Administrative Code 117-2-02, as of July 1, 2000) states each village shall maintain an appropriation ledger which shall contain a separate sheet for each account established. Each village shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s).

Appropriation amounts from the annual appropriations resolution were not posted to the appropriations ledger for 2000 and 1999. The budgetary financial note correctly reflects amounts from the annual appropriations resolution.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position.

We recommend the Clerk-Treasurer post appropriation amounts from the annual appropriation resolution approved by council into the appropriations ledger.

This page intentionally left blank.

**VILLAGE OF NEW BAVARIA
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30135-001	Ohio Revised Code § 5705.41(D) - improper fiscal officer certification of certain expenditures.	No	Not Corrected.
2000-30135-002	Ohio Revised Code § 5747.51(J) - local government monies were not credited to the General fund.	No	Not Corrected.
2000-30135-005	Ohio Administrative Code § 117-5-11 - appropriations were not recorded in the appropriations ledger.	No	Not Corrected.



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 NEW BAVARIA

HENRY 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
JUNE 12, 2001**