



**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Kimbolton
Guernsey County
P.O. Box 167
Kimbolton, Ohio 43749

To the Village Council:

We have audited the accompanying financial statements of the Village of Kimbolton, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. 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. 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.

The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year-end as budgetary expenditures. The Village did not record encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year-end.

In our opinion, except for such adjustments, if any, that would have been necessary to reflect year-end outstanding encumbrances as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Kimbolton, Guernsey County, as of December 31, 2001 and 2000, 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 March 6, 2002 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 management, the 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

March 6, 2002

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

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

| | Governmental Fund Types | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$2,098 | \$733 | \$2,831 |
| State Shared Taxes and Permits | 8,269 | 7,757 | 16,026 |
| Miscellaneous | 322 | 204 | 526 |
| Total Cash Receipts | 10,689 | 8,694 | 19,383 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 2,060 | | 2,060 |
| Public Health Services | 685 | | 685 |
| Transportation | | 29,782 | 29,782 |
| General Government | 7,752 | | 7,752 |
| Total Cash Disbursements | 10,497 | 29,782 | 40,279 |
| Total Cash Receipts Over/(Under) Cash Disbursements | 192 | (21,088) | (20,896) |
| Fund Cash Balances, January 1 | 5,314 | 30,997 | 36,311 |
| Fund Cash Balances, December 31 | \$5,506 | \$9,909 | \$15,415 |

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | Proprietary Fund Type |
|--|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$54,380 |
| Miscellaneous | 36 |
| Total Operating Cash Receipts | 54,416 |
| Operating Cash Disbursements: | |
| Personal Services | 3,099 |
| Supplies and Materials | 46,016 |
| Capital Outlay | 43,538 |
| Total Operating Cash Disbursements | 92,653 |
| Operating Income/(Loss) | (38,237) |
| Non-Operating Cash Receipts: | |
| Intergovernmental Receipts | 68,995 |
| Other Non-Operating Receipts | 600 |
| Total Non-Operating Cash Receipts | 69,595 |
| Non-Operating Cash Disbursements: | |
| Debt Service | 28,027 |
| Other Non-Operating Cash Disbursements | 105 |
| Total Non-Operating Cash Disbursements | 28,132 |
| Net Receipts Over/(Under) Disbursements | 3,226 |
| Fund Cash Balances, January 1 | 1,502 |
| Fund Cash Balances, December 31 | \$4,728 |

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**COMBINED 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> | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$1,466 | \$ | \$1,466 |
| State Shared Taxes and Permits | 6,196 | 5,691 | 11,887 |
| Miscellaneous | 1,079 | | 1,079 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 8,741 | 5,691 | 14,432 |
| | <hr/> | <hr/> | <hr/> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 1,518 | 415 | 1,933 |
| Public Health Services | 1,260 | | 1,260 |
| Transportation | | 866 | 866 |
| General Government | 6,195 | | 6,195 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 8,973 | 1,281 | 10,254 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts Over/(Under) Cash Disbursements | (232) | 4,410 | 4,178 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances January 1 | 5,546 | 26,587 | 32,133 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>5,314</u> | <u>30,997</u> | <u>36,311</u> |

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | Proprietary Fund Type |
|--|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$44,884 |
| Total Operating Cash Receipts | 44,884 |
| Operating Cash Disbursements: | |
| Personal Services | 2,452 |
| Fringe Benefits | |
| Contractual Services | 150 |
| Supplies and Materials | 44,745 |
| Capital Outlay | 226,198 |
| Total Operating Cash Disbursements | 273,545 |
| Operating Income/(Loss) | (228,661) |
| Non-Operating Cash Receipts: | |
| Intergovernmental Receipts | 223,129 |
| Other Non-Operating Receipts | 150 |
| Total Non-Operating Cash Receipts | 223,279 |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Cash Disbursements | 45 |
| Total Non-Operating Cash Disbursements | 45 |
| Net Receipts Over/(Under) Disbursements | (5,427) |
| Fund Cash Balances, January 1 | 6,929 |
| Fund Cash Balances, December 31 | \$1,502 |

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Kimbolton, Guernsey 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 utilities. The Village contracts with the Liberty Community Volunteer Fire Department to provide fire protection for the Village.

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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village holds no investments.

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.

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 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 KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

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

Waterline Construction Fund - This fund received loan proceeds from the Ohio Water Development Authority and the Ohio Public Works Commission, and intergovernmental revenues from a Community Development Block Grant, the Ohio Public Works Commission, Guernsey County, and Village Water revenues. These funds were used for waterline improvements. This Ohio Water Development Authority loan was repaid during the audit period and the Ohio Public Works Commission loan will be repaid from Water Fund revenues.

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. Village 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.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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>2001</u> | <u>2000</u> |
|-----------------|-------------|-------------|
| Demand deposits | \$ 20,143 | \$ 37,813 |

Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------|
| General | \$ 0 | \$ 10,689 | \$ 10,689 |
| Special Revenue | 0 | 8,694 | 8,694 |
| Enterprise | 0 | 124,011 | 124,011 |
| Total | \$ 0 | \$ 143,394 | \$ 143,394 |

2001 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|--------------|
| General | \$ 0 | \$ 10,497 | \$ (10,497) |
| Special Revenue | 0 | 29,782 | (29,782) |
| Enterprise | 0 | 120,785 | (120,785) |
| Total | \$ 0 | \$ 161,064 | \$ (161,064) |

2000 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------|
| General | \$ 0 | \$ 8,741 | \$ 8,741 |
| Special Revenue | 0 | 5,691 | 5,691 |
| Enterprise | 0 | 268,163 | 268,163 |
| Total | \$ 0 | \$ 282,595 | \$ 282,595 |

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 0 | \$ 8,973 | \$ (8,973) |
| Special Revenue | 0 | 1,281 | (1,281) |
| Enterprise | 0 | 273,590 | (273,590) |
| Total | \$ 0 | \$ 283,844 | \$ (283,844) |

Compliance and Accountability:

The certification of availability of unencumbered appropriations for expenditure was not made prior to purchase commitments being incurred, contrary to Section 5705.41(D), Ohio Revised Code. As a result, there were no encumbrances to report on the financial statements and outstanding purchase commitments are not included in budgetary disbursements shown above.

Contrary to Ohio Revised Code Section 5705.09, the Village did not establish an Enterprise Fund to record the financial activity of the Waterline Construction Water Fund. The financial statements have been adjusted to include this activity.

Contrary to Ohio Revised Code Section 5705.36, the Village did not obtain an amended official certificate of estimated resources for 2001 or 2000.

Contrary to Ohio Revised Code Section 5705.38, the Village did not adopt appropriations for 2001 or 2000 and, therefore, expenditures were made without appropriations, contrary to Ohio Revised Code Section 5705.41 (B).

Contrary to Ohio Revised Code Section 5705.10, the Village's Water Fund had a negative fund cash balance from November 2000 to November 2001.

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 State Shared Taxes and Permits. 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.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|------------------------------|-----------|---------------|
| Ohio Public Works Commission | \$5,208 | 0% |

The Ohio Public Works Commission (OPWC) loan relates to a waterline improvement project. The project was completed in 2001. The loans will be repaid in semiannual installments of \$137, over 20 years. The Village intends to pay the loan from the General Fund or water revenues, if available.

Amortization of the above debt is scheduled as follows:

| Year ending December 31: | OPWC Loan |
|--------------------------|-----------|
| 2002 | \$137 |
| 2003 | 274 |
| 2004 | 274 |
| 2005 | 274 |
| 2006 | 274 |
| 2007 – 2011 | 1,371 |
| 2012 – 2016 | 1,371 |
| 2017 – 2021 | 1,233 |
| Total | \$5,208 |

6. RETIREMENT SYSTEMS

The Village did not withhold Public Employees Retirement System (PERS) contributions or Social Security taxes from any employee or Village Official during the audit period. A Public Employee Retirement System (PERS) exemption form was not found on file for each Village Official or employee, and deductions were not being withheld. PERS membership is compulsory if no exemption form is filed with PERS within thirty (30) days from the first day of employment. Social Security Taxes are required to be withheld from employees and officials who choose not to pay into PERS.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. CONTINGENT LIABILITIES

A. Grants

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.

B. Litigation

There is no pending litigation outstanding against the Village.

9. SUBSEQUENT CHANGE IN VILLAGE WATER OPERATIONS

The Village purchased water from Guernsey County, distributed the water to customers through Village water lines, and billed and collected revenues for customer water usage. On January 14, 2002, the Village turned its water distribution system over to Guernsey County. Guernsey County is now responsible for maintaining such water lines, and billing and collecting from customers. This subsequent change will effect the future operations of the Village and subsequent financial statements.



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

Village of Kimbolton
Guernsey County
P.O. Box 167
Kimbolton, Ohio 43749

To the Village Council:

We have audited the financial statements of the Village of Kimbolton, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000 and have issued our report thereon dated March 6, 2002, wherein we noted the Village did not record encumbrances in its budgetary presentation. 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 certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-31030-001 through 2001-31030-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 6, 2002.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-31030-001 through 2001-31030-004, 2001-31030-007 and 2001-31030-010.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-31030-001, 2001-31030-004 and 2001-31030-007 through 2001-31030-009 to be material weaknesses. We also 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 March 6, 2002.

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

March 6, 2002

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

Finding Number 2001-31030-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.41 (D) states, in part, that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer. This section provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt by the taxing authority of the subdivision or taxing unit of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of execution of such certificate a sufficient sum appropriated for the purchase of such contract and in the treasury or process of collection to the credit of an appropriate fund free from any previous encumbrances, such taxing authority may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution or ordinance shall be passed within 30 days from the receipt of such certificate.
- B. If the amount is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, if upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the taxing authority.

The Village Clerk-Treasurer did not certify the availability of appropriations.

We recommend the Village Clerk-Treasurer certify the availability of funds prior to a commitment being incurred. Blanket certificates and super blanket certificates could be used where appropriate.

Finding Number 2001-31030-002

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village did not adopt an appropriation measure for 2001 or 2000.

We recommend an appropriation measure be adopted on or about the first day of each year, prior to the expenditure of Village monies.

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2001-31030-003

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.41 (B) states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village did not adopt an appropriation measure for 2001 or 2000.

The Village's legislative authority should adopt an appropriation measure within the limits of the amended official certificate of estimated resources. Expenditures should not be made until the legislative authority has adopted the appropriations.

Finding Number 2001-31030-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.09 states, in part, each subdivision is required to establish a separate fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a special purpose.

During the audit period, the Village did not establish an Enterprise Fund to document the financial activity of the Waterline Construction Fund. A separate bank account was established for the project, however, only transactions near the completion of the project were recorded on the accounting records. This project was completed in 2001.

In the future, we recommend the Village establish separate funds for each class of revenue as noted in the above Ohio Revised Code Section. The Village should also budget and appropriate for this financial activity. The financial statements have been adjusted to reflect this activity.

Finding Number 2001-31030-005

Noncompliance Citation

Ohio Rev. Code § 5705.10 states, in part, that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had negative fund balances in the Water Operating Fund from November 2000 to November 2001. Negative fund balances indicate monies from other funds were expended for the purpose of the fund with negative balances, contrary to Ohio Revised Code § 5705.10.

We recommend the Village use monies within specific funds for only the purposes for which the particular fund has been established.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2001-31030-006

Noncompliance Citation

Ohio Rev. Code § 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision is to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The total amount from all sources which was available for expenditures was not certified to the County Auditor for 2001 or 2000. Consequently, an amended official certificate of estimated resources was not obtained from the County Budget Commission for 2001 or 2000.

We recommend the Village certify to the County Auditor all amounts available for expenditure on or about the first day of each fiscal year. The Village should then obtain an amended official certificate of estimated resources from the County Budget Commission.

Finding Number 2001-31030-007

Material Weakness

During our review of the Village's payroll system, we noted the following conditions:

- Personnel files were not established for each Village official or employee;
- PERS exemption forms were not on file for Village officials or employees who did not contribute to PERS. Ohio Revised Code § 145.03 requires employees to sign a written application for exemption within the first month of employment. PERS was not paid during the audit period;
- State income taxes were withheld from compensation of Village officials and employees, however, these withholdings were not remitted to the State of Ohio at the end of each quarter as required by Ohio Revised Code § 5747.06. As a result, the Village was assessed penalties of \$750;
- The Village Clerk-Treasurer did not deduct and withhold federal income tax from any officials or employees wages. 26 U.S.C. § 3402 requires employers to deduct and withhold from wages a tax determined in accordance with tables and computational procedures prescribed by the Secretary of the Treasury; and
- Medicare tax was deducted and withheld for officials and most employees after April 1, 1986, however, the Medicare tax was not remitted to the Internal Revenue Service as required by 26 U.S.C. § 3102(a).

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2001-31030-007 (Continued)

Material Weakness - Payroll System (Continued)

As a result of the aforementioned items, errors could occur within the payroll system and remain undetected by management and the Village could be held liable for any payments due other agencies as a result of noncompliance with payroll related regulations. The condition of the payroll records also resulted in additional audit time to gain needed assurances in this area.

We recommend the following:

- Personnel files should be established and maintained for each official and employee and should contain pertinent information including, but not limited to, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, approved employee contracts, policy acknowledgment forms, and evaluations;
- PERS exemption forms should be on file for each employee not participating in PERS. PERS remittance forms should be kept on file for future reference;
- State income taxes withheld should be remitted timely as required by the Ohio Revised Code;
- Exemption forms should be on file to support no deduction and withholding of federal income taxes or taxes should be deducted and withheld in accordance with 26 U.S.C. Section 3402; and
- Medicare should be withheld and remitted in accordance with 26 U.S.C. Section 3102(a).

Finding Number 2001-31030-008

Material Weakness

The Village Clerk-Treasurer did not record appropriations to an appropriations ledger. As a result, there was no method established whereby the fiscal officer could determine if unencumbered appropriations were available for expenditure and there was no method established whereby Village management could compare budgeted expenditures to actual expenditures.

We recommend the Village Clerk-Treasurer post appropriation amounts to an appropriations ledger, once appropriations are adopted by Village Council and certified by the Budget Commission. Comparisons of budgeted (appropriated) expenditures to actual expenditures should then be presented to management as a tool to manage the Village. Guidance for maintaining the appropriations ledger is now included in Ohio Admin. Code Section 117-2-02(D)(3), which became effective July 1, 2000.

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2001-31030-009

Material Weakness

The Village Clerk-Treasurer did not maintain a receipts ledger. As a result, there was no method established whereby Village management could compare budgeted receipts to actual receipts in order to manage the Village.

We recommend budgeted and actual receipts be posted to the receipts ledger as recommended in Ohio Admin. Code Section 117-2-02(D)(2) (effective July 1, 2000), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Village operations.

Finding Number 2001-31030-010

Reportable Condition

The small size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk-Treasurer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies. It is therefore important that Village Council function as a finance and audit committee to monitor financial activity closely and to follow up on any audit findings.

For processing disbursements, Village Council members approved only a listing of bills and checks were subsequently signed by the Village Clerk-Treasurer and Council Member and issued to various vendors. There was no documentation of the extent to which the Village Council reviewed financial information to monitor the financial activity of the Village. Individual vouchers with invoices attached were not prepared and presented for Village Council's review and approval. This procedure could allow improper expenditures to be made without being detected by Village Council.

We recommend that Village Council review the monthly bank reconciliation for validity of the computations and attest to its accuracy. Also, once the recommended records are established and maintained, Village Council should carefully review and approve pertinent financial information, such as the 1) Receipts Ledger, 2) Appropriations Ledger, 3) Cash Journal, 4) Budget vs. Actual Reports, and 5) Payroll Journal, on a monthly basis, and make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted for?
- Are anticipated receipts being received in a timely manner?

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2001-31030-010 (Continued)

Reportable Condition - Monitoring Activities (Continued)

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village. The Village Clerk-Treasurer, Village Council and Mayor should become familiar with the Ohio Compliance Supplement, which has been provided to the Village, and use this as a tool to assist them in complying with applicable Ohio laws and regulations. In addition, we recommend the Village Clerk-Treasurer present to Council, the voucher and invoice to be paid. Once Village Council (or its designated committee) has reviewed the voucher contents, Village Council members should sign the voucher indicating their approval for payment.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid |
|----------------|---|------------------|---|
| 1999-31030-001 | Noncompliance with Ohio Rev. Code Section 9.38 - Funds Not Deposited Timely. | No. | The Noncompliance Will No Longer Apply as the Water Operations Have Been Turned over to Guernsey County. |
| 1999-31030-002 | Noncompliance with Ohio Rev. Code Section 5705.09 - Failure to establish Capital Project Fund as required. | No. | This finding is reported again in this audit, however, it is because an Enterprise Fund was not established during this audit period. |
| 1999-31030-003 | Noncompliance with Ohio Rev. Code Section 5705.10 - Failure to use funds for their established purposes. | No. | This finding is reported again in this audit. |
| 1999-31030-004 | Noncompliance with Ohio Rev. Code Section 5705.36 - Failure to request increased Amended Certificate and appropriate sufficient funds. | No. | This finding is reported again in this audit due to the Village not requesting an Amended Certificate for 2001 or 2000. |
| 1999-31030-005 | Noncompliance with Ohio Rev. Code Section 5705.38 - Appropriation measure not passed for 1999. 5705.41(B) - Expenditures exceeded appropriations. | No | This finding is reported again in this audit as an appropriation measure was not passed for 2001 or 2000. |
| 1999-31030-006 | Noncompliance with Ohio Rev. Code Section 5705.41(D) - Failure to certify the availability of funds prior to incurring obligations. | No. | This finding is reported again in this audit. |
| 1999-31030-007 | Budgeted amounts should be recorded on the ledgers, purchase orders should be used, receipt ledger should be maintained, appropriation ledger should be complete. | No. | This finding is reported again in this audit. |



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VILLAGE OF KIMBOLTON

GUERNSEY 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
APRIL 9, 2002**