



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF CHILO
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REPORT OF INDEPENDENT ACCOUNTANTS

Clermont County
P. O. Box 23
Chilo, OH 45112

To the Village Council:

We have audited the accompanying financial statements of the Village of Chilo, Clermont County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2000, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 15, 2000

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**VILLAGE OF CHILO
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY 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	\$1,549	\$0	\$1,549
Intergovernmental Receipts	22,942	1,261	24,203
Earnings on Investments	1,390	0	1,390
Miscellaneous	2,100	0	2,100
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	27,981	1,261	29,242
Cash Disbursements:			
Unclassified	25,246	4,500	29,746
	<hr/>	<hr/>	<hr/>
Total Disbursements	25,246	4,500	29,746
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	2,735	(3,239)	(504)
	<hr/>	<hr/>	<hr/>
Fund cash balances, January 1	20,889	18,647	39,536
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$23,624</u>	<u>\$15,408</u>	<u>\$39,032</u>

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

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,770	\$0	\$1,770
Intergovernmental Receipts	22,687	1,678	24,365
Earnings on Investments	1,298	0	1,298
Miscellaneous	1,925	0	1,925
Total Cash Receipts	<u>27,680</u>	<u>1,678</u>	<u>29,358</u>
Cash Disbursements:			
Unclassified	<u>25,546</u>	<u>0</u>	<u>25,546</u>
Total Disbursements	<u>25,546</u>	<u>0</u>	<u>25,546</u>
Total Receipts Over/(Under) Disbursements	<u>2,134</u>	<u>1,678</u>	<u>3,812</u>
Fund Cash Balances, January 1 (As restated)	<u>18,755</u>	<u>16,969</u>	<u>35,724</u>
Fund Cash Balances, December 31	<u><u>\$20,889</u></u>	<u><u>\$18,647</u></u>	<u><u>\$39,536</u></u>

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

VILLAGE OF CHILO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Chilo, Clermont County, Ohio (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 health and welfare. The Village contracts with the Clermont County Sheriff's department to provide security of persons and property.

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).

The expenditures presented on the financial statements are unclassified. This presentation is a material departure from the presentations prescribed by the Auditor of State in section 117-5-01 through 117-5-18 of the Ohio Administrative Code. Those sections of the Ohio Compliance Code require classifying disbursements by program.

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

C. Cash and Deposits

The Village has an interest bearing checking account and a certificate of deposit which are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and deposits that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources 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.

VILLAGE OF CHILO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways.

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 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. The Village did not use the encumbrance method of accounting.

A summary of 1999 and 1998 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.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 34,836	\$ 35,340
Certificates of deposit	<u>4,196</u>	<u>4,196</u>
Total deposits	<u><u>39,032</u></u>	<u><u>39,536</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

VILLAGE OF CHILO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,889	\$ 27,981	\$ 7,092
Special Revenue	1,084	1,261	177
Total	\$ 21,973	\$ 29,242	\$ 7,269

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 40,987	\$ 25,246	\$ 15,741
Special Revenue	18,647	4,500	14,147
Total	\$ 59,634	\$ 29,746	\$ 29,888

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,083	\$ 27,680	\$ 3,597
Special Revenue	1,714	1,678	(36)
Total	\$ 25,797	\$ 29,358	\$ 3,561

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 43,024	\$ 25,546	\$ 17,478
Special Revenue	18,682	0	18,682
Total	\$ 61,706	\$ 25,546	\$ 36,160

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

VILLAGE OF CHILO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX (Continued)

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. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

6. PRIOR PERIOD ADJUSTMENT

The fund balance of the General Fund, Street Construction and Maintenance Fund, and State Highway Fund have been restated due to a revenue posting error to the books. This restatement had the following affect on fund balance as it was previously reported December 31, 1997.

	<u>General Fund</u>	<u>Street Construction and Maintenance</u>	<u>State Highway</u>
Previously stated Fund Balance at December 31, 1997	\$18,860.00	\$8,346.00	\$2,694.00
Revenue posting error	<u>(150.00)</u>	<u>49.00</u>	<u>56.00</u>
Restated Fund Balance at January 1, 1998	\$18,755.00	\$8,395.00	\$2,750.00

7. COMPLIANCE

Contrary to various Ohio Revised Code and Ohio Administrative Code sections, the Village:

- Did not prepare an annual report;
- Did not maintain an appropriation ledger;
- Did not maintain a receipts ledger;
- Did not use encumbrance accounting.

8. Related Party Transactions

The Village paid the spouse of a Council member for roof repair work performed on behalf of the Village. The Village paid \$1,100 for this repair work.



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

Village of Chilo
Clermont County
P.O. Box 23
Chilo, OH 45112

To the Village Council:

We have audited the accompanying financial statements of the Village of Chilo, Clermont County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 1999-30413-001 through 1999-30413-003. We also noted other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 15, 2000.

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. 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 operation of the internal control over financial reporting that, in our judgment, 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 1999-30413-002 and 1999-30413-003.

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 condition and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. 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 August 15, 2000.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 15, 2000

**VILLAGE OF CHILO
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30413-001

Noncompliance - Certification of Funds

Section 5705.41(D), Revised Code, states no subdivision shall make any contract or order any expenditures 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 appropriation fund free from any previous encumbrance.

Section 5705.41(D), further provides that every such contract without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides an exception to the above requirements. This exception allows for 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 at the time of making the contract or order and at the time of the certificate appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such a contract or order by resolution within 30 days from the receipt of such certificate. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without affirmation of the Council members, if the expenditure is otherwise valid.

Of the twenty expenditures tested, all were executed without first obtaining the fiscal officer's certification. Additionally, no "Then and Now Certificates" were utilized.

We recommend the Village obtain approved purchase orders which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment.

FINDING NUMBER 1999-30413-002

Noncompliance/Internal Control Recommendation - Uniform System of Accounting

Section 117.43, Revised Code, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform accounting system for villages which is set forth in the Ohio Administrative Code Chapter 117-5. The Village did not comply in the following instances:

- A. Ohio Admin. Code Section 117-5-11, requires a village to maintain an appropriation ledger in a complete and accurate form as prescribed.

The Village did not present an appropriation ledger for audit.

- B. Ohio Admin. Code Section 117-5-10, requires a village to maintain a receipt ledger in a complete and accurate form as prescribed.

The Village did not present a receipt ledger for audit.

We recommend that the Village maintain receipts and appropriation ledgers as prescribed by the Ohio Admin. Code. Encumbrances and actual disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts and expenditures should be posted by fund and line item, with a running balance maintained. Each line item should be posted to a separate page in the receipts and appropriation ledger. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

**VILLAGE OF CHILO
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30413-003

Noncompliance/Internal Control Recommendation - Annual Reports to Auditor of State

Section 117.38, Revised Code requires that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end, and must publish notification of availability of report. The Village did not make such a publishing and did not file an annual report with the Auditor of State. We recommend that the Village file their annual report with the Auditor of State's office within 60 day of the year end and that they publish a notification of the availability of the report in a local newspaper.



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VILLAGE OF CHILO

CLERMONT 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
SEPTEMBER 12, 2000