



**VILLAGE OF CAIRO
ALLEN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 -1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CAIRO
ALLEN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Cairo
Allen County
P.O. Box 198
Cairo, Ohio 45820

To the Village Council:

We have audited the accompanying financial statements of the Village of Cairo, Allen County, (the Village) as of and for the years ended December 31, 2000 and December 31, 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 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.

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, 2000 and December 31, 1999, 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 July 18, 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 audit.

Village of Cairo
Allen County
Report of Independent Accountants
Page 2

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

July 18, 2001

**VILLAGE OF CAIRO
ALLEN 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>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$13,084				\$13,084
Special Assessments			\$9,760		9,760
Intergovernmental Receipts	51,034	\$10,631			61,665
Charges for Services	9,836				9,836
Fines, Licenses, and Permits	1,264				1,264
Earnings on Investments	892	110			1,002
Miscellaneous	1,880				1,880
Total Cash Receipts	<u>77,990</u>	<u>10,741</u>	<u>9,760</u>		<u>98,491</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	17,100				17,100
Public Health Services	885				885
Leisure Time Activities	1,281				1,281
Transportation		15,642			15,642
General Government	46,266				46,266
Debt Service:					
Principal Payments			17,700		17,700
Interest Payments				\$31,397	31,397
Financing and Other Debt-Service Related				317	317
Capital Outlay	14,285				14,285
Total Disbursements	<u>79,817</u>	<u>15,642</u>	<u>17,700</u>	<u>31,714</u>	<u>144,873</u>
Total Receipts Over/(Under) Disbursements	<u>(1,827)</u>	<u>(4,901)</u>	<u>(7,940)</u>	<u>(31,714)</u>	<u>(46,382)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements					
	(1,827)	(4,901)	(7,940)	(31,714)	(46,382)
Fund Cash Balances January 1	<u>(2,196)</u>	<u>32,554</u>	<u>23,836</u>	<u>33,131</u>	<u>87,325</u>
Fund Cash Balances, December 31	<u>(\$4,023)</u>	<u>\$27,653</u>	<u>\$15,896</u>	<u>\$1,417</u>	<u>\$40,943</u>

See Note 2

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

VILLAGE OF CAIRO
ALLEN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Cash Receipts	
Fines and Fees	<u>\$969</u>
Total Cash Receipts	<u>969</u>
Cash Disbursements	
General Government	<u>969</u>
Total Cash Disbursements	<u>969</u>
Cash Receipts Over (Under) Cash Disbursements	<u> </u>
Fund Cash Balance, January 1	<u>41</u>
Fund Cash Balance, December 31	<u><u>\$41</u></u>

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

**VILLAGE OF CAIRO
ALLEN COUNTY**

**COMBINED 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>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$11,572				\$11,572
Special Assessments			\$36,536		36,536
Intergovernmental Receipts	63,205	\$11,002		\$169,898	244,105
Charges for Services	6,111				6,111
Fines, Licenses, and Permits	3,184				3,184
Earnings on Investments	829	44			873
Miscellaneous	613				613
Total Cash Receipts	<u>85,514</u>	<u>11,046</u>	<u>36,536</u>	<u>169,898</u>	<u>302,994</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	13,762				13,762
Public Health Services	3,496				3,496
Leisure Time Activities	4,471				4,471
Transportation		13,140			13,140
General Government	35,185				35,185
Debt Service:					
Principal Payments			12,700		12,700
Interest Payments				30,365	30,365
Capital Outlay	34,639			107,066	141,705
Total Disbursements	<u>91,553</u>	<u>13,140</u>	<u>12,700</u>	<u>137,431</u>	<u>254,824</u>
Total Receipts Over/(Under) Disbursements	<u>(6,039)</u>	<u>(2,094)</u>	<u>23,836</u>	<u>32,467</u>	<u>48,170</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(6,039)	(2,094)	23,836	32,467	48,170
Fund Cash Balances January 1	3,843	34,648		664	39,155
Fund Cash Balances, December 31	<u>(\$2,196)</u>	<u>\$32,554</u>	<u>\$23,836</u>	<u>\$33,131</u>	<u>\$87,325</u>

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

**VILLAGE OF CAIRO
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Fiduciary Fund Types
	Agency
Cash Receipts:	
Fines and Fees	\$2,381
Total Cash Receipts	2,381
Cash Disbursements:	
General Government	3,566
Total Cash Disbursements	3,566
Cash Receipts (Over) Under Cash Disbursements	(1,185)
Fund Cash Balance, January 1	1,226
Fund Cash Balance, December 31	\$41

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

**VILLAGE OF CAIRO
ALLEN 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 Cairo, Allen 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 street lighting, park operations (leisure time activities), and police 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. Cash and Investments

The Village maintained all funds in a demand account.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 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 CAIRO
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Note Retirement Fund- This fund receives the sewer surcharge collected by the County Sanitary Engineer for the retirement of the Ohio Public Work Commission, Rural Development and the Ohio Environmental Protection Agency loans.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project fund:

Rural Development Fund - This fund received various grants in prior years for the construction of a wastewater sewage system. Any remaining balance will be used to retire the permanent sanitary sewer revenue bond.

E. Budgetary Process

The Ohio Revised Code requires that each fund, except for the Mayor's Court 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. The Village did not encumber commitments as required by Ohio law.

A summary of 2000 and 1999 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 CAIRO
ALLEN COUNTY**

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

2. EQUITY IN POOLED CASH

The Village maintains a cash 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:

	2000	1999
Demand deposits	<u>\$40,984</u>	<u>\$87,366</u>

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

On November 17, 2000, the Allen County Auditor issued a warrant in the amount of \$44,656; however, this was not deposited. Had the warrant been deposited, the special assessment revenue of the debt service fund would have increased to \$54,416, and the fund balance would have increased from \$15,896 to \$60,552. The Village is working with the County Auditor on the replacement of this warrant.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,823	\$77,990	\$12,167
Special Revenue	6,179	10,741	4,562
Debt Service	12,700	9,760	(2,940)
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$84,702</u>	<u>\$98,491</u>	<u>\$13,789</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,821	\$79,817	(\$5,996)
Special Revenue	30,656	15,642	15,014
Debt Service	36,537	17,700	18,837
Capital Projects	<u>33,131</u>	<u>31,714</u>	<u>1,417</u>
Total	<u>\$174,145</u>	<u>\$144,873</u>	<u>\$29,272</u>

**VILLAGE OF CAIRO
ALLEN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,540	\$85,514	\$29,974
Special Revenue	15,975	11,046	(4,929)
Debt Service	0	36,536	36,536
Capital Projects	<u>0</u>	<u>169,898</u>	<u>169,898</u>
Total	<u>\$71,515</u>	<u>\$302,994</u>	<u>\$231,479</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,108	\$91,553	(\$32,445)
Special Revenue	47,521	13,140	34,381
Debt Service	342	12,700	(12,358)
Capital Projects	<u>0</u>	<u>137,431</u>	<u>(137,431)</u>
Total	<u>\$106,971</u>	<u>\$254,824</u>	<u>(\$147,853)</u>

Contrary to Ohio law, in the year 2000, the General Fund expenditures exceeded appropriations; in the year 1999, the General, Debt Service and Capital Project funds had expenditures which exceeded appropriations as indicated above. In addition, certification that funds were available for expenditure was not obtained prior to incurring an obligation.

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.

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 CAIRO
ALLEN COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$10,000	0%
Ohio Public Work Commission Loan Assistance	228,600	0%
Sanitary Sewer System Revenue Bonds	<u>661,000</u>	4.75%
Total	<u>\$899,600</u>	

The Ohio Water Development Authority Loan (OWDA), the Ohio Public Works Authority (OPWC) loan, and the sanitary sewer revenue bond issue relates to the construction of a sanitary sewer system that was mandated by the Ohio Environmental Protection Agency.

The OWDA has approved up to \$25,000 in loans to the Village for this project. The loans will be paid in annual installments of \$2,500, including interest over 10 years. The OPWC has approved up to \$254,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$6,350, including interest over 20 years. The sanitary sewer revenue bonds were purchased by the United States Department of Agriculture/ Rural Development.

These loans and the bond issue are collateralized by a sewer rate surcharge. The Village has agreed to set sewer rates sufficient to cover debt service requirements.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan	OPWC Loan	Sanitary Sewer System Revenue Bonds	Totals
2001	\$2,500	\$12,700	\$31,398	\$46,598
2002	2,500	12,700	38,398	53,598
2003	2,500	12,700	38,065	53,265
2004	2,500	12,700	38,733	53,933
2005		12,700	38,353	51,053
Subsequent	<u>0</u>	<u>165,100</u>	<u>1,262,178</u>	<u>1,427,278</u>
Total	<u>\$10,000</u>	<u>\$228,600</u>	<u>\$1,447,125</u>	<u>\$1,685,725</u>

6. RETIREMENT SYSTEMS

Village officials and full-time 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 post-retirement 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 of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries in 1999, and an amount equal to 10.84% in 2000. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF CAIRO
ALLEN COUNTY**

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

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

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.



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

Village of Cairo
Allen County
P.O. Box 198
Cairo, Ohio 45820

To the Village Council:

We have audited the accompanying financial statements of the Village of Cairo, Allen County, (the Village), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated July 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-30202-001 through 2000-30202-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 18, 2001.

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 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 2000-30202-002, 2000-30202-005 and 2000-30202-008.

**Internal Control Over Financial Reporting
(Continued)**

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, we consider items 2000-30202-005 and 2000-30202-008 of the reportable conditions described above 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 July 18, 2001.

This report is intended for the information and use of the 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

July 18, 2001

VILLAGE OF CAIRO
ALLEN 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-2000-30202-001	Finding For Recovery
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Finding For Recovery

Ohio Rev. Code Section 4513.263, states all fines collected for violations issued regarding a person operating an automobile on any street or highway and not wearing the proper restraining device shall be forwarded to the Treasurer of State for deposit. Amounts remitted to the Treasurer of State for seat belt violations were understated by \$91 in 1999, and \$86 in 2000.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for money collected but not remitted is hereby issued against the General Fund of the Village Treasury, in the amount of one hundred and seventy-seven dollars (\$177), and in favor of the State Treasury. This finding was repaid while under audit.

Finding Number-2000-30202-002	Noncompliance/Reportable Condition
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Village Records

Ohio Rev. Code Section 149.351(A), states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

The necessary documents and required records have not been adequately maintained by the Village. The information concerning the issuance of debt for the sanitary sewer system, nor the Transcript of Proceedings required by the sanitary sewer revenue bond issue could be located. The agreements between USDA/Rural Development who purchased the bonds, the Sanitary Engineer who was designated as responsible for the billings and collections, and the Village, were not on file. In addition, an ordinance that established the sewer system charges could not be located. Also, copies of the W-2 Forms issued to employees and officials for the year 1999, and the 1099 forms issued, were not available. These records either are of a permanent nature or should be held for an indefinite period.

As a result of the lack of necessary documents, Village officials may not be aware of their obligations. The lack of necessary documents concerning the agreements and the debt issue, has resulted in the failure to comply with the requirements of the bond covenants (See Finding 2000-20302-007), and the requirements imposed by USDA/Rural Development. The USDA/Rural Development requires a yearly statement of revenue and expenses associated with the sanitary sewer. The statement is due to USDA/Rural Development between 120 and 150 days after year-end. As of July 2001, the statement had not been filed. The failure to comply could lead to the agency requiring the loan repayment due in full, immediately.

Failure to maintain the signed agreements with the sanitary engineer could result in misunderstandings if questions were to arise. In addition, the lack of an ordinance establishing the sewer usage and surcharge rates may call into question the legality of such rates. A copy of the agreements with the sanitary engineer should be obtained and the Village should note their responsibilities regarding the agreements. The ordinance establishing the sewer charges should be located or a new ordinance enacted.

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

Finding Number-2000-30202-002	Noncompliance/Reportable Condition (Continued)
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Failure to maintain W-2 and 1099 Forms could lead to a lack of documentation supporting wages paid to employees and officials and amounts paid to independent contractors. A copy of all W-2 Forms issued to employees and officials and 1099 Forms issued to all independent contractors paid \$600 or more in a year, should be maintained on file.

Important records and supporting documentation should be retained and maintained in a logical manner. Documentation concerning grants and debt issuances needs to be adequately safeguarded, as these documents provide the guidelines on which funds are to be established and how they should be handled, the bond covenants, and the required reports. Procedures should be adopted to ensure complete compliance with the USDA/Rural Development requirements. A calendar or tickler file could be maintained on the due dates to meet the requirements of the agreements.

Finding Number-2000-30202-003	Noncompliance
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Expenditures Limited by Appropriations

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

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2000			
General	\$73,821	\$79,817	(\$5,996)
1999			
General	\$59,108	\$91,553	(\$32,445)
Debt Service	342	12,700	(12,358)
Capital Projects	0	137,431	(137,431)

The above fund types had expenditures that exceeded appropriations, and amended or supplemental appropriations were not adopted by Council. Failure to limit expenditures by the approved appropriations could result in deficit spending which could lead to deficit fund balances.

The Village should limit all expenditures to within the approved appropriation amounts. When expenditures will exceed the approved appropriation amounts, amended or supplemental appropriations need to be issued and approved by Council.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number-2000-30202-004	Noncompliance
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Prior Certification of Commitments

Ohio Rev. Code Section 5705.41 (D) states that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto, a certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant ("then and now"). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 expenditures by the taxing authority

Prior certification was not obtained for the expenditure of Village funds for 100 percent of the transactions in the year 2000, and 90 percent of the transactions in the year 1999. In addition, there was no evidence of certification that funds were available at the time of making the obligation and at the time of payment ("then and now"), nor the subsequent approval within thirty days from the Village Council for all amounts over one thousand dollars.

Also, a system of encumbering was not in place. This prohibits the fiscal officer's ability to certify that the amount was in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, since the amount of the available unencumbered balances is unknown for any given line item at any point in time.

The lack of proper certifications could result in the Village obligating funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations. Also, a system of encumbering should be placed in operation to allow the fiscal officer to track the amount of outstanding encumbrances and available unencumbered balances, thus allowing for accurate certifications.

The Village should establish procedures for obtaining certification prior to incurring an obligation, or for subsequent certification and approval as provided by the exception noted above.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number-2000-30202-005	Noncompliance/Material Weakness
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Depositing in a Timely Manner

Ohio Rev. Code Section 9.38, states that public money must be deposited with the treasurer of the public office or to a designated depositor on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Deposits were not being made with the designated depository in a timely manner, nor has a policy been adopted permitting officials receiving money to hold receipts past the next business day. There were three warrants issued by the Allen County Auditor totaling \$45,882 that had not been deposited and were still outstanding with the County at year end, and at June 30, 2001. A warrant for \$768 issued by the Allen County Auditor on January 17, 2001, was found loose in the Village's records submitted for the audit. In addition, there were three warrants issued by the Auditor of State totaling \$1,404 that had been voided, by the State, since they were not deposited within the required ninety days.

Failure to deposit receipts within a timely period could lead to manipulation of the Village's receipts, thus causing the fund balances to be misstated, and allows for the possibility of diversion of funds without detection.

All receipts received by the Village should be deposited on the business day following the day of the receipt. If the amount involved is less than one thousand, Council could adopt a policy permitting officials to hold the deposit past the following business day, but no later than three business days after receiving the receipt. The policy should be in accordance with the above mentioned guidelines.

Contact should be made with the Allen County Auditor and the Auditor of State requesting reissuance of the above-mentioned warrants.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number-2000-30202-006	Noncompliance
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Illegal Advances

During the year 1999, an advance of \$20,000 was made to the General Fund from the Street, Construction, Maintenance and Repair, Special Revenue Fund. A portion of the advance, in the amount of \$8,978, was repaid during 1999, however, the remaining balance of the advance, in the amount of \$11,022 was still outstanding at December 31, 2000.

Pursuant to Auditor of State Bulletin 97-003, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established; therefore this advance is considered illegal, based on the restricted use of the Street, Construction, Maintenance and Repair Fund.

The Village has agreed to the adjustment on the financial statements, which increased the fund balance of the Street, Construction, Maintenance and Repair Fund and decreased the fund balance of the General Fund.

However, the Uniform Accounting Network (UAN) system will not allow an adjustment resulting in a negative fund balance, therefore, the adjustment is reflected in the audited financial statements, but has not been corrected in the Village's records. The Village has agreed to repay the advance in the year 2001 as monies become available.

Finding Number-2000-30202-007	Noncompliance
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Bond Covenant/Establishment of Bond Reserve Fund

Village Ordinance 202, adopted by the Village Council on October 5, 1998, and the sanitary sewer bond issue, requires that a bond reserve fund be established. The Village is required to deposit into the bond reserve fund no later than the anniversary date of the issuance of the bonds each year. The bond reserve requirement is defined "as the date of any calculation an amount equal to one-tenth (1/10th) of the average annual bond service charges remaining on the Bonds."

A bond reserve fund had not been established, nor is the bond reserve requirement being set aside. The lack of a bond reserve fund could result in the default of their debt obligations in the event that the funds in the Bond Fund and General Fund are not adequate to meet the debt obligations.

A bond reserve fund should be established, and credited with the amount due for the past two years, in order to be in compliance with the bond covenant and to provide a "safety-net" to be used to meet the debt obligations.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number-2000-30202-008	Material Weakness
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Agreement of Records and Bank Reconciliations

During the year 2000, checks were issued manually due to a computer problem. The check number, payee, amount, date, and line item account was posted to the UAN System. However, in various instances the check written was not in agreement with the amount, or check number posted to the System. In addition, monthly bank to book reconciliations are not being performed on a timely basis. The outstanding checklists were inaccurate for both years under audit, and the reasoning behind the adjusting factors was not explained. Also, a receipt deposited in the year 2000, had not been posted to the system. Several instances were noted where receipts were posted to the system with incorrect amounts when compared to the remittance advice. This resulted in variances between the bank and the year-end fund balances.

Failure to have agreement between, the receipts and the actual written checks, and the UAN System could lead to incorrect fund balances, inaccurate outstanding check lists, and difficulties in performing the monthly bank to book reconciliation. The integrity of the UAN System is also comprised when the actual documents do not agree to the posted information.

Regular monthly bank reconciliations should be performed timely and reconciled with the cash journal in order to find any discrepancies. The outstanding checklists should be verified as to accuracy and any adjusting factors should be adequately explained. If the records do not balance with the bank, the accuracy of the amounts posted as receipts and the manual checks should be verified.



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VILLAGE OF CAIRO

ALLEN 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
AUGUST 21, 2001**