



**VILLAGE OF CHILO
CLERMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CHILO
CLERMONT COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Chilo
Clermont County
P.O.Box 23
Chilo, Ohio 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, 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.

The accompanying financial statements present disbursements by fund type totals only. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify receipt and disbursement transactions.

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, except for the omission of disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and unclassified 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 June 21, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 21, 2002

**VILLAGE OF CHILO
CLERMONT 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,466	\$0	\$1,466
Intergovernmental Receipts	25,107	1,494	26,601
Earnings on Investments	1,572	0	1,572
Miscellaneous	2,002	0	2,002
	<u>30,147</u>	<u>1,494</u>	<u>31,641</u>
Cash Disbursements:			
Unclassified	32,352	0	32,352
	<u>32,352</u>	<u>0</u>	<u>32,352</u>
Total Receipts Over/(Under) Disbursements	<u>(2,205)</u>	<u>1,494</u>	<u>(711)</u>
Fund Cash Balances, January 1	<u>28,838</u>	<u>17,055</u>	<u>45,893</u>
Fund Cash Balances, December 31	<u>\$26,633</u>	<u>\$18,549</u>	<u>\$45,182</u>
Reserves for Encumbrances, December 31	<u>\$1,961</u>	<u>\$0</u>	<u>\$1,961</u>

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

**VILLAGE OF CHILO
CLERMONT 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,487	\$0	\$1,487
Intergovernmental Receipts	32,395	1,647	34,042
Earnings on Investments	1,389	0	1,389
Miscellaneous	2,232	0	2,232
	<u>37,503</u>	<u>1,647</u>	<u>39,150</u>
Cash Disbursements:			
Unclassified	32,289	0	32,289
	<u>32,289</u>	<u>0</u>	<u>32,289</u>
Total Receipts Over/(Under) Disbursements	<u>5,214</u>	<u>1,647</u>	<u>6,861</u>
Fund Cash Balances, January 1	<u>23,624</u>	<u>15,408</u>	<u>39,032</u>
Fund Cash Balances, December 31	<u>\$28,838</u>	<u>\$17,055</u>	<u>\$45,893</u>
Reserves for Encumbrances, December 31	<u>\$1,588</u>	<u>\$0</u>	<u>\$1,588</u>

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

**VILLAGE OF CHILO
CLERMONT 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 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 Government did not classify its disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code, Section 117-02-02(A), (effective July 1, 2000) and Ohio Administrative Code, Section 117-5-11 (effective through June 30, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

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 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 Funds:

**VILLAGE OF CHILO
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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. 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 CHILO
CLERMONT COUNTY**

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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 and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$40,987	\$41,697
Certificates of deposit	4,196	4,196
Total deposits	\$45,183	\$45,893

Deposits: Deposits are insured by the Federal Depository 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	\$31,725	\$30,147	(\$1,578)
Special Revenue	1,647	1,494	(153)
Total	\$33,372	\$31,641	(\$1,731)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,725	\$32,352	(\$627)
Special Revenue	5,824	0	5,824
Total	\$37,549	\$32,352	\$5,197

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,981	\$37,503	\$9,522
Special Revenue	4,131	1,647	(2,484)
Total	\$32,112	\$39,150	\$7,038

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,870	\$32,289	\$16,581
Special Revenue	18,647	0	18,647
Total	\$67,517	\$32,289	\$35,228

**VILLAGE OF CHILO
CLERMONT COUNTY**

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

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

5. RETIREMENT SYSTEMS

All employees and officials who do not participate in the Public Employees Retirement System (PERS) should pay into Social Security. The Village only has the Council, Mayor, and Clerk which are all elected positions. None of the officials have elected to participate in PERS. Social Security is not being withheld from the public officials and the Village did not make contributions to Social Security. The total payroll for the Village in each year is \$6,600 and \$2,400 was the most received by any individual.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for comprehensive property and general liability.

7. COMPLIANCE

Contrary to various Ohio Revised Code sections, the Village did not prepare an annual report.

8. RELATED PARTY TRANSACTIONS

The Village paid a spouse of a Council Member to remodel the bathrooms located in the Town Hall on behalf of the Village. The Village paid \$2,800 for this work which included \$1,400 of labor.



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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, Ohio 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 2001 and 2000, and have issued our report thereon dated June 21, 2002, which was qualified since the Village did not classify disbursements in its financial statements. 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 2001-30413-001 through 2001-30413-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 21, 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 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. The reportable condition is described in the accompanying schedule of findings as item 2001-30413-003.

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 conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Village of Chilo
Clermont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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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 June 21, 2002.

This report is intended solely for the information and use of management and the 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", written in a cursive style.

Jim Petro
Auditor of State

June 21, 2002

**VILLAGE OF CHILO
CLERMONT 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 2001-30413-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), states no subdivision shall make any contract or order any expenditures of money unless the certificate of the fiscal officers 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.

Ohio Rev. Code, 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 encumbrances, the Council members 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 such expenditure is otherwise valid. 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. The Village failed to get the fiscal officer's certification before making commitments.

Of the forty 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 Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment.

FINDING NUMBER 2001-30413-002

Noncompliance Citation

Ohio Rev. Code, Section 117.38, requires that cash-basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end, and 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 days of the year end and that they publish a notification of the availability of the report in a local newspaper.

FIINDING NUMBER 2001-30413-003

Noncompliance Citation/ Material Weakness

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not maintain a receipt ledger or appropriation ledger. The Village did not classify receipt and disbursement transactions. The Village was therefore unable to monitor compliance with its appropriation resolution. The Village was also unable to classify receipts by source or disbursements by purpose.

The classification of receipts was prepared by the Auditor of State's Office.

Ohio Admin. Code, Section 117-2-02(A),* requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

- Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
- Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code, Section 117-9-01,* provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

* Prior to July 1, 2000, these requirements were included in Ohio Admin. Code, Chapter 117-5.

**VILLAGE OF CHILO
CLERMONT COUNTY**

**SCHEDULE 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; <i>Explain:</i>
1999-30413-001	Noncompliance – Certification of Funds	No	Not Corrected – Noncompliance citation repeated as Finding Number 2001-30413-001.
1999-30413-002	Noncompliance / Internal Control Recommendation – Uniform System of Accounting	No	The OAC changed since last audit. – Noncompliance citation under new Ohio law as Finding Number 2001-30413-003.
1999-30413-003	Noncompliance / Internal Control Recommendation – Annual Reports to Auditor of State	No	Not Corrected – Noncompliance citation repeated as Finding Number 2001-30413-002.



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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
JULY 25, 2002**