



**Auditor of State
Betty Montgomery**

VILLAGE OF CAIRO
ALLEN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002 and December 31, 2001. 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, 2002 and December 31, 2001, 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 24, 2004, 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
Independent Accountants' Report
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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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 24, 2004

**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, 2002**

| | <u>Governmental Fund Types</u> | | | Total (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | |
| Cash Receipts | | | | |
| Local Taxes | \$27,417 | | | \$27,417 |
| Intergovernmental Revenues | 17,055 | \$26,068 | | 43,123 |
| Sewer Surcharges | | | \$25,658 | 25,658 |
| Charges for Services | 7,479 | | | 7,479 |
| Fines, Licenses and Permits | 1,905 | | | 1,905 |
| Interest | 400 | 23 | | 423 |
| Contributions and Donations | 14,810 | | | 14,810 |
| Miscellaneous | 4,824 | | | 4,824 |
| Total Cash Receipts | <u>73,890</u> | <u>26,091</u> | <u>25,658</u> | <u>125,639</u> |
| Cash Disbursements | | | | |
| Security of Persons and Property | 9,476 | | | 9,476 |
| Public Health Service | 1,570 | | | 1,570 |
| Leisure Time Activities | 4,050 | | | 4,050 |
| Community Environment | 5,819 | | | 5,819 |
| Basic Utility Services | 14,078 | | | 14,078 |
| Transportation | | 14,220 | | 14,220 |
| General Government | 32,443 | | | 32,443 |
| Capital Outlay | | 19,031 | | 19,031 |
| Debt Service | | | | |
| Principal | 9,949 | | 22,200 | 32,149 |
| Interest | 2,855 | | 31,398 | 34,253 |
| Total Cash Disbursements | <u>80,240</u> | <u>33,251</u> | <u>53,598</u> | <u>167,089</u> |
| Total Receipts Over(Under) Disbursements | (6,350) | (7,160) | (27,940) | (41,450) |
| Fund Cash Balances, January 1, 2002 | 8,751 | 26,372 | 60,290 | 95,413 |
| Fund Cash Balances, December 31, 2002 | <u><u>\$ 2,401</u></u> | <u><u>\$ 19,212</u></u> | <u><u>\$ 32,350</u></u> | <u><u>\$ 53,963</u></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
CHANGE IN FUND CASH BALANCE - MAYOR'S COURT AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

| | |
|--|---------------------|
| Cash Receipts: | |
| Fines and Fees | \$3,290 |
| Cash Disbursements: | |
| General Government | <u>2,961</u> |
| Cash Receipts Over(Under) Cash Disbursements | 329 |
| Fund Cash Balance, January 1, 2002 | <u>412</u> |
| Fund Cash Balance, December 31, 2002 | <u>\$741</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, 2001**

| | <u>Governmental Fund Types</u> | | | Total (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|--|
| | General | Special Revenue | Debt Service | |
| Cash Receipts | | | | |
| Local Taxes | \$6,779 | | | \$6,779 |
| Intergovernmental Revenues | 38,085 | \$20,912 | | 58,997 |
| Sewer Surcharges | | | \$80,724 | 80,724 |
| Charges for Services | 11,910 | | | 11,910 |
| Fines, Licenses and Permits | 796 | | | 796 |
| Interest | 575 | 40 | | 615 |
| Contributions and Donations | 37,485 | | | 37,485 |
| Miscellaneous | 2,356 | | | 2,356 |
| Total Cash Receipts | <u>97,986</u> | <u>20,952</u> | <u>80,724</u> | <u>199,662</u> |
| Cash Disbursements | | | | |
| Security of Persons and Property | 10,855 | | | 10,855 |
| Public Health Service | | | | |
| Leisure Time Activities | 2,569 | | | 2,569 |
| Basic Utility Services | 7,325 | | | 7,325 |
| Transportation | | 15,795 | | 15,795 |
| General Government | 29,008 | | | 29,008 |
| Capital Outlay | 56,965 | 6,437 | | 63,402 |
| Debt Service | | | | |
| Principal | 7,655 | | 6,350 | 14,005 |
| Interest | 959 | | 31,397 | 32,356 |
| Total Cash Disbursements | <u>115,336</u> | <u>22,232</u> | <u>37,747</u> | <u>175,315</u> |
| Total Receipts Over(Under) Disbursements | (17,350) | (1,280) | 42,977 | 24,347 |
| Other Financing Sources (Uses) | | | | |
| Proceeds of Notes | 30,250 | | | 30,250 |
| Total of Receipts and Other Sources Over (Under) Disbursements | 12,900 | (1,280) | 42,977 | 54,597 |
| Fund Cash Balances, January 1, 2001 | (4,149) | 27,652 | 17,313 | 40,816 |
| Fund Cash Balances, December 31, 2001 | <u><u>\$8,751</u></u> | <u><u>\$26,372</u></u> | <u><u>\$60,290</u></u> | <u><u>\$95,413</u></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
CHANGE IN FUND CASH BALANCE - MAYOR'S COURT AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

| | |
|--|---------------------|
| Cash Receipts: | |
| Fines and Fees | \$1,737 |
| Cash Disbursements: | |
| General Government | <u>1,366</u> |
| Cash Receipts Over(Under) Cash Disbursements | 371 |
| Fund Cash Balance, January 1, 2001 | <u>41</u> |
| Fund Cash Balance, December 31, 2002 | <u><u>\$412</u></u> |

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, 2002 AND 2001**

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

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 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.

Permissive Motor Vehicle License Tax Fund - This fund receives the proceeds of a levied license fee for constructing, maintaining, and repairing Village streets.

**VILLAGE OF CAIRO
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

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

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

4. Agency Fund

Mayor's Court Fund- This fund receives and disburses fines and court costs collected by the Mayor's Court. At year end, the Mayor's Court is appended to and reported within the financial statements.

E. Budgetary Process

The Ohio Revised Code requires that each fund, except the Agency 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 all commitments as required by Ohio law.

A summary of 2002 and 2001 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, 2002 AND 2001
(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:

| | | |
|-----------------|-----------------|-----------------|
| | 2002 | 2001 |
| Demand deposits | <u>\$54,704</u> | <u>\$95,825</u> |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2002 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General | \$53,483 | \$73,890 | \$20,407 |
| Special Revenue | 10,800 | 26,091 | 15,291 |
| Debt Service | 30,000 | 25,658 | (4,342) |
| Total | \$94,283 | \$125,639 | \$31,356 |

2002 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|------------|
| General | \$56,045 | \$80,240 | (\$24,195) |
| Special Revenue | 40,655 | 33,251 | 7,404 |
| Debt Service | 89,382 | 53,598 | 35,784 |
| Total | \$186,082 | \$167,089 | \$18,993 |

2001 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-----------|
| General | \$70,292 | \$128,236 | \$57,944 |
| Special Revenue | 8,268 | 20,952 | 12,684 |
| Debt Service | 7,948 | 80,724 | 72,776 |
| Total | \$86,508 | \$229,912 | \$143,404 |

2001 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|------------|
| General | \$78,320 | \$115,336 | (\$37,016) |
| Special Revenue | 30,655 | 22,232 | 8,423 |
| Debt Service | 36,855 | 37,747 | (892) |
| Total | \$145,830 | \$175,315 | (\$29,485) |

**VILLAGE OF CAIRO
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, during the year 2002, the General Fund expenditures exceeded appropriations; and in the year 2001, the General, and Debt Service funds had expenditures which exceeded appropriations as indicated above.

In addition, appropriations exceeded estimated resources in both years, and amended certificates were not obtained when funds were available for appropriation.

Also, 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.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|------------------|--------------------------|
| Gym Floor Replacement Note | \$ 28,167 | 7.5% |
| Ohio Water Development Authority Loan | 7,500 | 0% |
| Ohio Public Work Commission Loan Assistance | 209,550 | 0% |
| Sanitary Sewer System Revenue Bonds | <u>654,000</u> | 4.75% |
| Total | <u>\$899,217</u> | |

On October 25, 2001, the Village issued a promissory note for the purpose of replacing the gymnasium floor in the recreational building. The note is payable from the general fund over a term of 59 months with a balloon payment in November of 2006.

The Ohio Water Development Authority Loan (OWDA), the Ohio Public Works Commission (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.

**VILLAGE OF CAIRO
ALLEN COUNTY**

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

5. DEBT (Continued)

The OWDA granted \$25,000 in loans to the Village for this project. The loans will be paid in annual installments of \$2,500, over 10 years. The OPWC also granted \$254,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$6,350, 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:

| <u>Year Ending December 31:</u> | <u>Gym Floor Replacement</u> | <u>OWDA Loan</u> | <u>OPWC Loan</u> | <u>Sanitary Sewer System Bonds</u> | <u>Totals</u> |
|-------------------------------------|----------------------------------|----------------------|----------------------|--|---------------|
| 2003 | \$4,040 | \$2,500 | \$12,700 | \$38,065 | \$57,305 |
| 2004 | 3,890 | 2,500 | 12,700 | 38,733 | 57,823 |
| 2005 | 3,737 | 2,500 | 12,700 | 38,353 | 57,290 |
| 2006 | 23,686 | | 12,700 | 37,973 | 74,359 |
| 2007 | | | 12,700 | 38,592 | 51,292 |
| Subsequent | - | | 146,050 | 1,185,614 | 1,331,664 |
| Total | \$35,353 | \$7,500 | \$209,550 | \$1,377,330 | \$1,629,733 |
| Less Interest | (7,186) | | | (723,330) | (730,516) |
| Principal Balance | \$28,167 | \$7,500 | \$209,550 | \$654,000 | \$899,217 |

The annual statement of revenues and expenses required to be presented in accordance with generally accepted accounting principles, and filed annually, with the USDA/Rural Development, purchaser of the bonds, was not filed for either year. A bond reserve fund had not established as required by the bond covenant, nor had the designated annual amount been set-aside.

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. Members of PERS contribute 8.5 percent of their gross salaries. The Village contributes an amount equal to 13.55 percent of participants' gross salaries. At December 31, 2002, the PERS employer share was in arrears for the period April 1, 2001 through December 31, 2002 in the total amount of \$4,886. In addition, the employee deductions were four months in arrears.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF CAIRO
ALLEN COUNTY**

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

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state and federal governments. 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.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002 and December 31, 2001, and have issued our report thereon dated March 24, 2004. 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 2002-001 through 2002-014. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 24, 2004.

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 2002-002 through 2002-007, 2002-012 and 2002-015 through 2002-018.

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**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 2002-002 through 2002-007, 2002-012 and 2002-015 through 2002-018 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 March 24, 2004.

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.



Betty Montgomery
Auditor of State

March 24, 2004

VILLAGE OF CAIRO
ALLEN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2003-001

Finding for Recovery – Repaid Under Audit

Ohio Revised Code Section 117.28, requires accountability for all public money and it has been determined that public monies have been collected, but are unaccounted for.

The duplicate receipts issued for the use of the recreational hall and gymnasium indicated that during 2002, \$9,736.50 in revenue had been collected; however, total deposits to the village treasury was \$7,479, which results in a shortage of \$2,257.50. During 2003 through January 2004, revenue collected amounted to \$10,129.80 and deposits to the village treasury were \$8,516.80, which results in a shortage of \$1,613 for a total of \$3,870.50.

We have been provided with evidence by the Mayor and Village Council members of \$3,410 in cash expenditures made directly from the receipts before being deposited that resolve a portion of this finding; however, there remains an unresolved shortage of \$460.50.

Based on the foregoing facts, a finding for recovery is hereby rendered against Terry Heminger, Clerk/Treasurer, and his bonding company, the Old Republic Surety Company, and Brian Best, Recreation Director, jointly and severally, in the total amount of four-hundred sixty dollars and fifty cents (\$460.50) and in favor of the General Fund of the Village treasury. Terry Heminger paid \$230.25 on June 28, 2004, and Brian Best paid \$230.25 on July 19, 2004.

FINDING NUMBER 2002-002

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. Only the legislative authority (Village Council) 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 several warrants, with dates of May through December of 2002, received from the Allen County Auditor totaling \$22,520 that had not been deposited and were still outstanding with the County at year end; of this amount \$10,704 was still outstanding at December 31, 2003. In addition, 15 out of 24 warrants received from the Auditor of State in the amount of \$7,340 during 2002, had not been redeemed. These warrants have been voided by the State, since they were not deposited within the required ninety days. The impact of these warrants would have increased the general fund balance by 156 percent, the Special Revenue Fund balances by 42 percent, and the debt service fund balance by 33 percent. In addition, cash collections of the recreation department were deposited only two or three times a year.

Failure to deposit receipts within a timely period has led to the loss, or misplacement of many of the checks or warrants issued to the Village. The lack of diligent effort to account for the revenues of the Village has resulted in inaccurate fund balances at year end, and also allows for the possibility of diversion of funds without detection.

**FINDING NUMBER 2002-002
(Continued)**

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 dollars, Council may adopt a policy permitting officials to hold the deposit past the following business day, but no later than three business days after receipt. The policy should be in accordance with the above mentioned guidelines.

The Allen County Auditor and the Auditor of State should be contacted to request the reissuance of the above-mentioned warrants.

FINDING NUMBER 2002-003

Public Employees Retirement System (PERS) Contributions

Ohio Rev. Code Section 145.48, states that each employer shall pay to the public employees retirement system (PERS) an amount that shall be a certain per cent of the earnable salary of all contributors.

The employer's portion of PERS was not remitted for the last three quarters of 2001, or the first two quarters of 2002, until February 2003. In addition, the last two quarters of 2002 were not remitted until June of 2003. The lack of timely payment resulted in penalties and interest charges.

The employer's portion of PERS should be remitted in a timely manner to avoid interest and penalties. The Village should consult with PERS to determine if there is any amount that is currently delinquent, and develop a course of action to bring their account up to date.

FINDING NUMBER 2002-004

Destruction of 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 and the Transcript of Proceedings required by the sanitary sewer revenue bond issue could not be located. The agreement with the USDA/Rural Development who purchased the bonds was not on file. Also, an ordinance that established the sewer system charges could not be located. In addition, the Public Employees Retirement System (PERS) membership form for an employee could not be located. 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 2002-015), 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. To date, there has been no evidence of the statements ever having been filed. The failure to comply with the requirements of the bond issue could lead to the agency demanding the loan repayment due in full, immediately.

The absence of the ordinance establishing the sewer usage and surcharge rates may call into question the legality of such rates. The ordinance establishing the sewer charges should be located or a new ordinance enacted. The lack of maintaining the PERS membership forms for Village employees could raise question as to whether the proper forms were completed and possible future liabilities.

**FINDING NUMBER 2002-004
 (Continued)**

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 requirements of the bond covenants, and the required reports. Procedures should be adopted to ensure complete compliance with the USDA/Rural Development requirements. The required PERS membership forms should be maintained for all Village employees.

FINDING NUMBER 2002-005

Village Records

Ohio Rev. Code Section 733.28, states the village clerk shall keep the books of the village, exhibit accurate statements of all money received and expended, of all the property owned by the village and the income derived therefrom.

The fund journal, receipt and disbursement journals, the list of outstanding checks, and the bank reconciliations presented were inaccurate. During 2002 and 2001, receipts totaling \$19,350 and \$5,042, respectively, had not been posted to the system, nor had interest income been booked for either year. During 2002 and 2001, 19% and 9%, respectively, of expenditures were not posted to the proper funds. In addition, various instances were noted where incorrect amounts for receipts and disbursements had been posted when compared to the supporting documentation. The outstanding check lists had checks that had been canceled in months prior, but were still being used to perform the current bank reconciliations. Also, at December 31, 2002, various receipts from the Auditor of State and Allen County totaling \$29,860, were not deposited or posted to the books and were voided by the issuer because of lack of timely deposits.

The lack of accurate records and not depositing and posting transactions timely could result in the Village expending funds that are not available. In addition, the lack of posting receipts and disbursements to the system accurately results in the inability to properly reconcile the accounting records. Also, additional accounting and auditing procedures are necessary to complete the audit which results in increased audit costs.

The following represents the adjustments to the financial statements that were necessary to balance the records with the depositories:

| <u>Fund</u> | <u>12/31/2002 Balance</u> | <u>Net Adjustments</u> | <u>Adjusted 12/31/2002 Balance</u> | <u>12/31/2001 Balance</u> | <u>Net Adjustments</u> | <u>Adjusted 12/31/2001 Balance</u> |
|---------------|-------------------------------|----------------------------|--|-------------------------------|----------------------------|--|
| General | \$12,726 | (\$10,325) | \$2,401 | \$7,558 | \$1,193 | \$ 8,751 |
| Street | 3,819 | 10,460 | 14,279 | 8,067 | 13,338 | 21,405 |
| State Highway | 3,669 | 1,264 | 4,933 | 12,951 | (7,984) | 4,967 |
| Sewer Debt | 24,297 | 8,053 | 32,350 | 64,533 | (4,243) | 60,290 |
| Total | \$44,511 | \$9,452 | \$53,963 | \$93,109 | \$2,304 | \$ 95,413 |

The cash journal should be supported by the receipts and appropriations subsidiary ledgers, and reconcile with the depositories. In turn, the records should support the compilation of the annual financial statements. The records should be maintained up-to-date and accurate bank reconciliations performed. Deposits should be made timely when warrants are received. In addition, the UAN Chart of Accounts should be utilized to ensure that revenues and expenditures are properly classified.

FINDING NUMBER 2002-006

Fund Establishment

Ohio Rev. Code Section 5705.09 states that a special fund is required to be established for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

A separate fund was not established for the Permissive Motor Vehicle License Tax for which the law requires the revenue to be used for a particular purpose. The revenue received, in the amount of \$19,031, in 2002 was improperly credited to General fund, and in 2001, \$6,437 was improperly credited to the Street Construction Maintenance and Repair Fund. The financial statements were adjusted to establish this fund.

In addition, donations had been received that were designated for lights and the resurfacing of the gym floor. A fund was not established for the money collected and disbursed in the amount of \$25,115 in the current audit period and \$2,300 in the prior audit period, for these purposes. Some of these revenues had been improperly classified as rental income. It could not be determined if these funds were expended for the intended purpose.

Failure to properly establish the required funds could lead to monies collected for a specific purpose being spent on projects not in accordance with the law and/or in accordance with the intent of the source. All donations received for a specific purpose should be placed in an expendable trust fund and expended for the purposes intended. When necessary, the required funds should be established by Council to ensure that the revenues received from these sources are used for the purposes intended.

FINDING NUMBER 2002-007

Ohio Rev. Code Section 5705.10 states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made, and all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Money paid into any fund shall be used only for the purpose for which such fund was established.

The possibility exists that revenues may not have been used for their intended purpose, since revenues were incorrectly credited paid into the various funds as follows:

- During 2002 and 2001, revenue in the amount of \$19,031 and \$6,437, respectively, was improperly credited to the General and Street Construction Maintenance and Repair Funds, respectively, rather than the Permissive Motor Vehicle License Tax Fund.
- During 2002, \$5,946, in delinquent sewer surcharges were posted to the General Fund as real estate taxes rather than to the Debt Service Fund; and during 2001, \$5,660, in real estate taxes was posted to the Debt Service Fund rather than to the General Fund.
- During 2002, Gasoline and Motor Vehicle revenues were improperly allocated between the State Highway Fund and the Street Construction Maintenance and Repair Fund. (See Finding 2002-012) In addition the majority of vehicle registration fees had been posted to the general fund, rather than the aforementioned funds.

During 2002, improper expenditures were made from Street Construction, Maintenance and Repair and State Highway funds (revenues were not used for the intended purpose) resulting in substantial net increases and decreases in fund expenditures as follows:

**FINDING NUMBER 2002-007
 (Continued)**

| <u>Fund</u> | <u>Increase</u> | <u>Decrease</u> |
|---|-----------------|-----------------|
| General | \$9,442 | |
| Street Construction, Maintenance and Repair | 3,005 | |
| State Highway | | \$12,447 |

Failure to establish the required funds and to post revenues and expenditures to the proper funds results in inaccurate fund balances, and in funds not being used for their intended purpose. The necessary adjustments to report the above noted revenues and expenditures in the appropriate funds have been made to the financial statements.

FINDING NUMBER 2002-008

Issuance of Amended Official Certificates of Estimated Resources

Ohio Rev. Code Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources or reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. The amended certificate for the years 2002 and 2001 listed the estimated receipts as follows:

| | <u>2002</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|-----------------|-------------|--------------------------|------------------------|-----------------|
| General | | \$53,483 | \$73,890 | \$20,407 |
| Special Revenue | | 10,800 | 26,091 | 15,291 |
| Debt Service | | 30,000 | 25,658 | (4,342) |
| | <u>2001</u> | | | |
| General | | \$70,291 | \$128,236 | \$57,945 |
| Special Revenue | | 8,268 | 20,952 | 12,684 |
| Debt Service | | 7,948 | 80,724 | 72,776 |

Failure to obtain an amended certificate could result in appropriations and expenditures being made in excess of the certified revenue. During 2002, the Village expended in excess of estimated resources by \$24,195 in the General Fund and \$7,403 in the Special Revenue Funds. During 2001, the Village expended in excess of estimated resources by \$39,230 in the General Fund and \$13,902 in the Debt Service Fund. Although amended certificates could have been obtained, amendments were not obtained, nor were appropriations amended, for either year.

The Village should obtain an amended certificate of estimated resources whenever it is determined that the revenue collected will be greater than the amount certified in the prior issued certificate of estimated resources when the intention is to appropriate and expend the additional funds.

FINDING NUMBER 2002-009

Appropriations Exceeded Estimated Resources

Ohio Rev. Code Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

At December 31, 2002, appropriations exceeded estimated resources in the Street Construction, Maintenance and Repair, Special Revenue Fund, by \$23,812. For the year 2001, appropriations were in excess of estimated resources as follows:

**FINDING NUMBER 2002-009
 (Continued)**

| Fund | Estimated Resources | Appropriations | Variance |
|---------------------|----------------------------|-----------------------|-----------------|
| General | \$76,107 | \$78,320 | \$(2,213) |
| Street Construction | 11,896 | 20,655 | (8,759) |
| Debt Service | 23,845 | 36,855 | (13,010) |

For the year 2001, the county auditor sent a certificate to the Village stating that the total appropriations from each fund did exceed the total official estimate. Failure to determine that appropriations are within estimated resources could lead to deficit spending and deficit fund balances. The Village should take action to correct the appropriations when the certificate from the county auditor states the appropriations are not within estimated resources.

FINDING NUMBER 2002-010

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. The following funds had expenditures that exceeded appropriations:

| | Fund | Appropriations | Expenditures | Variance |
|-------------|--------------|-----------------------|---------------------|-----------------|
| 2002 | General | \$56,045 | \$80,240 | (\$24,195) |
| 2001 | General | 78,320 | 115,336 | (37,016) |
| | Debt Service | 36,855 | 37,747 | (892) |

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.

FINDING NUMBER 2002-011

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 (\$3,000 after April 7, 2003), 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.

**FINDING NUMBER 2002-011
(Continued)**

Prior certification was not obtained for the expenditure of Village funds for 100 percent of the transactions during the audit period. 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.

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, and/or for subsequent certification and approval as provided by the exception noted above.

FINDING NUMBER 2002-012

Gasoline and Motor Vehicle License Tax

Ohio Rev. Code Section 5735.28 requires that whenever a municipal corporation is on the line of a state highway system, seven and one-half percent of gasoline and motor vehicle taxes shall be used to construct, reconstruct, repave, widen, maintain, and repair such highway.

The motor vehicle and gasoline taxes and motor vehicle registration fees were not properly allocated to the required funds during the years under audit. During 2002, 92.5 percent of motor vehicle and gasoline taxes, rather than the required seven and one-half per cent, were credited to the State Highway fund instead of the Street Constructions Maintenance and Repair fund. For the years 2002 and 2001, the State Highway fund revenue was reduced \$681 and \$7,463, respectively, and the Street Constructions Maintenance and Repair fund revenue was increased \$3,361 and \$9,690, respectively. Adjustments have been made to the financial statements to properly allocate the revenues.

Since these errors result in a material misstatement of the financial statements, diligent care should be taken to assure that the seven and one-half per cent is credited to the State Highway Fund, and the remaining ninety-two and one-half per cent is credited to the Street Construction Maintenance and Repair Fund.

FINDING NUMBER 2002-013

State Income Tax

Ohio Rev. Section 5747.07(B)(4), requires every employer to deduct and withhold income tax in the amount required by Section 5747.06 of the Revised Code and each employer shall file a return and shall pay the amount required by law. The employer shall make the payment of undeposited taxes for each calendar quarter no later than the last day of the month following the last day of March, June, September and December each year.

There was no evidence of the required payment of the income taxes that were deducted for the third quarter of the year 2001, or the last two quarters of the year 2002.

Failure to file the required forms and deposit the required amounts could result in additional penalties and interest charges. The Village should remit timely payments.

FINDING NUMBER 2002-014

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 amounts due, in order to be in compliance with the bond covenant and to provide a "safety-net" to be used to meet the debt obligations.

FINDING NUMBER 2002-015

Agreement of Records and Bank Reconciliations

Various problems were encountered in analyzing and verifying the transaction activity of the Village. This was due in part to 1) each receipt of revenue was not posted separately, nor was an accurate description of the revenue given; 2) checks were not being issued in sequential order, or checks were being written and not remitted or voided, and sections of check numbers were not being used and were unaccounted for; 3) check numbers per the register were not in agreement with the actual manually written check; and 4) the description in the journal for disbursements was just the word "payment" and, in some instances, the actual type of payment could not be determined.

Revenue and expenditures in the amounts of \$19,351 and \$4,315, respectively for 2002, and \$5,042 and \$741, respectively, for 2001 had not been entered into the system. In addition, various receipt and disbursement amounts had been entered, and in some cases the deposit was either lost or not made, and written checks were either lost or voided, and in both cases, were never removed from the system. This resulted in significant variances in the reported and audited year end balances; the reported balance for 2002 was \$44,511 and the audited balance was \$53,963, and for 2001 the reported balance was \$93,109 and the audited balance was \$95,413.

In addition, accurate monthly bank to book reconciliations were not being performed on a timely basis, and the reasoning behind any adjusting factors was not explained. The outstanding check lists were substantially misstated for both years, which was due, in part, to checks being written with one check number and entered into the system with another, and because some checks were entered into the system and then voided or not written at all. In addition, checks were also written and then not entered into the system.

The weaknesses indicated above result in the circumvention of basic controls that numerical sequence of checks provides. It also results in difficulty determining the sources of revenue or the reasons for disbursements. The failure to reconcile the records with the bank can result in funds appearing available when they are not, or not available when they are, and the inability of Council to make informed decisions and to operate effectively. The monthly reconciliation is the means to pinpoint any discrepancies on a timely basis.

Each receipt of revenue should be separately entered into the system with the proper description of source as provided by the UAN system of accounts. Also, checks should be issued in numerical sequence, and remitted timely so that misplacement or loss does not occur. In addition, the proper line item account should be used as provided by the UAN system of accounts, and a brief description of the reason for the disbursement should be entered into the section provided by the UAN system.

Monthly bank reconciliations should be performed timely, and any discrepancies should be analyzed and adequately explained. The outstanding checklists should be verified as to accuracy. If the records do not balance with the bank, the accuracy of the amounts posted as receipts and the manual checks should be verified with the system.

FINDING NUMBER 2002-016

Rental Income

Rental receipts from the use of the recreation center were being held for months prior to deposit. A review of rental collections disclosed that the collections could periodically amount to \$3,000 to \$5,000. Rental revenues collected from October through December of 2001, were not deposited until February of 2002, and during 2002, revenues collected during the period of February through August were not deposited until December. In addition, receipts from September through December of 2002, were not deposited until the following March of 2003. In many instances, only the checks were deposited, and the cash was not deposited until months later. Also, various expenditures had been made from the cash collections for expenses related to the recreation center. There was no evidence of a policy regarding the handling or depositing of rental income.

The failure to adopt a policy which establishes proper safeguards and requires the deposit of rental collections timely could lead to a loss of revenue in the form of interest, and an increased risk of theft or loss due to the large amount of cash being held. In addition, expenditures made from the cash collections could give the appearance of possible theft of funds, and results in an inaccurate reporting of actual revenues and expenditures on the Village records. Also, Council would not have accurate information available for decision-making on the financial operations of the recreation center.

A policy should be adopted by Council which should include a time frame in which rental deposits are to be made, the method of safeguarding if not deposited immediately, (deposits should be made within no more than three days from collection) and the maximum amount that may be held before a deposit is required. The policy should also include the requirement that all collections be deposited in their entirety.

In addition, the rental receipts should be reconciled with the duplicate receipts written and then deposited directly into the bank by the recreation director. An itemized list of collections (monthly report) should be provided to Council and also to the clerk so each receipt can be properly posted. These revenues should be periodically reviewed to insure they are deposited and recorded timely and in the correct amounts.

FINDING NUMBER 2002-017

Supporting Documentation

During 2002 and 2001, 35 percent and 19 percent, respectively, of the documentation for goods and services was not available, and in many instances information on what the expenditure was for was limited, or nonexistent. Also, invoices were not attached to the voucher on a consistent basis, nor were the vouchers marked with the line item account charged, the check number, the date of the check, or a purchase order number, if any. In addition, the description within the fund and expenditure journals was simply the word "payment".

Failure to provide an invoice attached to the voucher for approval could lead to improper expenditures. In several cases, the lack of information on the voucher led to invoices being approved for payment but not actually being paid. Council would approve invoices for payment in one month, but these invoices were not paid until subsequent months when second notices were received and late fees assessed. In some instances, Council approved invoices for payment at the beginning of the month, but the checks were not issued until the end of the month, thus causing late fees to be assessed. In addition, failure to provide a brief description of the type of payment within the journals limits the ability of Council to review and assess the appropriateness of the postings and the types of expenditures.

The voucher with supporting documentation attached (the invoice) should be presented to Council for approval. Each voucher should be documented with the check number, date of the check, purchase order number, and the fund and account number from which the expenditure is being paid which could help reduce the occurrence of invoices not being paid in a timely manner, thus reducing or eliminating the assessment of late fees. In addition, a brief description of the type of expenditure should be provided within the journals.

FINDING NUMBER 2002-018

Monitoring of Monthly Financial Reports

Currently, there is no one held accountable for the presentation of accurate financial information, in a timely manner, to the decision making bodies. Proper monitoring duties cannot be performed in order to determine if fund balances between reports agree, or that the books reconcile with the bank. The lack of proper and correct financial information impedes the ability of officials to act responsibly in conducting Village affairs.

Receiving inaccurate and/or late financial information could result in Council obligating funds that are not available, or making decisions based on inaccurate data. Also, the failure to properly monitor the receipts, disbursements, fund balances, and the monthly bank reconciliations could result in misappropriation of revenues without timely detection by management.

Council should monitor monthly reports timely to insure related documents agree. The monthly bank to book reconciliation should be reviewed to insure it agrees with the fund balances. The reconciling items should be reviewed to verify there are no unexplained items, and/or that the explanations are factual. Council should initial and date the reports as proof of their review and the signed copy should be included in the minute book. Council should be aware on a continuing basis of the financial position of the Village in order to make informed decisions.

In addition, since the Village is small, and staff is limited, it is important that Council monitor financial activity closely. For each regular meeting, at a minimum, Council should be provided with a bank reconciliation, and the detailed budget and actual receipt and disbursement reports. Council should carefully review the aforementioned information and make appropriate inquiries to help determine its continued integrity.

Council should be alert, and check to determine that the various revenue sources are being credited in the time frame of their anticipated receipt. For example, property and personal property taxes are distributed at the same times each year; and, the county auditor and the auditor of state distribute various taxes and fees on a monthly basis. This type of revenue is fairly easy to monitor by determining that these revenues are being credited to the books when anticipated. In addition, the recreation hall rental fees should also be credited on a monthly basis.

These reports and information provide important data necessary to manage the Village, and should be used to answer questions such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Are the Village records and reports maintained and presented in a manner that provides accurate and meaningful information to Council?

**VILLAGE OF CAIRO
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|-----------------------|--|-------------------------|---|
| 2000-002 | Ohio Rev. Code Section 149.351, Destruction of Village Records | No | Repeated as finding 2002-004 |
| 2000-003 | Ohio Rev. Code Section 5705.41(B) Expenditures Limited By Appropriations | No | Repeated as finding 2002-010 |
| 2000-004 | Ohio Rev. Code Section 5705.41(D) Prior Certification of Expenditures | No | Repeated as finding 2002-011 |
| 2000-005 | Ohio Rev. Code Section 9.38 Depositing in a Timely Manner | No | Repeated as finding 2002-002 |
| 2000-007 | Bond Ordinance Compliance | No | Repeated as finding 2002-014 |
| 2000-008 | Records and Bank Reconciliation Agreement | No | Repeated as finding 2002-015 |



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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 5, 2004**