



**Auditor of State
Betty Montgomery**

VILLAGE OF ST. LOUISVILLE
LICKING COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of St. Louisville
Licking County
1 School Street P.O. Box 149
St. Louisville, Ohio 43071

To the Village Council:

We have audited the accompanying financial statements of the Village of St. Louisville, Licking County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 2002. 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 and reserves for encumbrances of the Village as of December 31, 2003, and December 31, 2002, 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 May 28, 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 St. Louisville
Licking County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 28, 2004

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$5,620 | \$0 | \$5,620 |
| Intergovernmental Receipts | 45,122 | 13,681 | 58,803 |
| Fines, Licenses, and Permits | 27,651 | 0 | 27,651 |
| Miscellaneous | 990 | 0 | 990 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 79,383 | 13,681 | 93,064 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 35,437 | 0 | 35,437 |
| Public Health Services | 633 | 0 | 633 |
| Leisure Time Activities | 9,814 | 0 | 9,814 |
| Community Environment | 1,194 | 0 | 1,194 |
| Transportation | 0 | 8,300 | 8,300 |
| General Government | 32,336 | 1,317 | 33,653 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 79,414 | 9,617 | 89,031 |
| Total Receipts Over/(Under) Disbursements | (31) | 4,064 | 4,033 |
| Fund Cash Balances, January 1 | 31,990 | 28,354 | 60,344 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$31,959</u> | <u>\$32,418</u> | <u>\$64,377</u> |
| Reserves for Encumbrances, December 31 | <u>\$0</u> | <u>\$10,000</u> | <u>\$10,000</u> |

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

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$47,940 | \$0 | \$47,940 |
| Miscellaneous | 190 | 0 | 190 |
| Total Operating Cash Receipts | <u>48,130</u> | <u>0</u> | <u>48,130</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 21,092 | 0 | 21,092 |
| Travel Transportation | 82 | 0 | 82 |
| Contractual Services | 14,411 | 0 | 14,411 |
| Supplies and Materials | 8,030 | 0 | 8,030 |
| Capital Outlay | 27,328 | 0 | 27,328 |
| Total Operating Cash Disbursements | <u>70,943</u> | <u>0</u> | <u>70,943</u> |
| Operating Income/(Loss) | <u>(22,813)</u> | <u>0</u> | <u>(22,813)</u> |
| Non-Operating Cash Receipts: | | | |
| Fines and Fees Collected | 0 | 34,414 | 34,414 |
| Intergovernmental Receipts | 27,328 | 0 | 27,328 |
| Total Non-Operating Cash Receipts | <u>27,328</u> | <u>34,414</u> | <u>61,742</u> |
| Non-Operating Cash Disbursements: | | | |
| Debt Service | 8,864 | 0 | 8,864 |
| Fines and Fees Distributed | 0 | 33,540 | 33,540 |
| Total Non-Operating Cash Disbursements | <u>8,864</u> | <u>33,540</u> | <u>42,404</u> |
| Excess of Receipts Over/(Under) Disbursements | (4,349) | 874 | (3,475) |
| Fund Cash Balances, January 1 | <u>26,512</u> | <u>2,826</u> | <u>29,338</u> |
| Fund Cash Balances, December 31 | <u>\$22,163</u> | <u>\$3,700</u> | <u>\$25,863</u> |

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

**VILLAGE OF ST. LOUISVILLE
LICKING 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> | | Totals (Memorandum Only) |
|---|--------------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$4,820 | \$0 | \$4,820 |
| Intergovernmental Receipts | 45,472 | 13,618 | 59,090 |
| Fines, Licenses, and Permits | 31,230 | 0 | 31,230 |
| Miscellaneous | 711 | 0 | 711 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 82,233 | 13,618 | 95,851 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 35,648 | 0 | 35,648 |
| Public Health Services | 563 | 0 | 563 |
| Leisure Time Activities | 9,064 | 0 | 9,064 |
| Community Environment | 946 | 0 | 946 |
| Transportation | 0 | 9,610 | 9,610 |
| General Government | 37,489 | 728 | 38,217 |
| Capital Outlay | 6,400 | 0 | 6,400 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 90,110 | 10,338 | 100,448 |
| Total Receipts Over/(Under) Disbursements | <hr/> | <hr/> | <hr/> |
| | (7,877) | 3,280 | (4,597) |
| Other Financing Receipts: | | | |
| Sale of Capital Assets | 1,990 | 0 | 1,990 |
| | <hr/> | <hr/> | <hr/> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements | (5,887) | 3,280 | (2,607) |
| Fund Cash Balances, January 1 | <hr/> | <hr/> | <hr/> |
| | 37,877 | 25,074 | 62,951 |
| Fund Cash Balances, December 31 | <hr/> \$31,990 <hr/> | <hr/> \$28,354 <hr/> | <hr/> \$60,344 <hr/> |

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

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$44,864 | \$0 | \$44,864 |
| Miscellaneous | 135 | 0 | 135 |
| Total Operating Cash Receipts | <u>44,999</u> | <u>0</u> | <u>44,999</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 19,300 | 0 | 19,300 |
| Travel Transportation | 102 | 0 | 102 |
| Contractual Services | 12,058 | 0 | 12,058 |
| Supplies and Materials | 11,724 | 0 | 11,724 |
| Total Operating Cash Disbursements | <u>43,184</u> | <u>0</u> | <u>43,184</u> |
| Operating Income/(Loss) | <u>1,815</u> | <u>0</u> | <u>1,815</u> |
| Non-Operating Cash Receipts: | | | |
| Fines and Fees Collected | <u>0</u> | <u>39,723</u> | <u>39,723</u> |
| Non-Operating Cash Disbursements: | | | |
| Debt Service | 8,864 | 0 | 8,864 |
| Fines and Fees Distributed | <u>0</u> | <u>39,495</u> | <u>39,495</u> |
| Total Non-Operating Cash Disbursements | <u>8,864</u> | <u>39,495</u> | <u>48,359</u> |
| Excess of Receipts Over/(Under) Disbursements | (7,049) | 228 | (6,821) |
| Fund Cash Balances, January 1 | <u>33,561</u> | <u>2,598</u> | <u>36,159</u> |
| Fund Cash Balances, December 31 | <u>\$26,512</u> | <u>\$2,826</u> | <u>\$29,338</u> |
| Reserve for Encumbrances, December 31 | <u>\$5,387</u> | <u>\$0</u> | <u>\$5,387</u> |

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

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of St. Louisville, Licking 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 water and sewer utilities, park operations, 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 maintains a checking 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 from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

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

4. Fiduciary Fund (Agency Fund)

A Fund for which the Village is acting in an agency capacity is classified as an agency fund. The Village had the following significant Agency Fund:

Mayor's Court Fund - This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected, in part, on behalf of the State of Ohio.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds, except for Mayor's Court funds which are maintained in a separate bank account. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

| | | |
|-----------------|----------|----------|
| | 2003 | 2002 |
| Demand deposits | \$90,240 | \$89,682 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$94,928 | \$79,383 | (\$15,545) |
| Special Revenue | 21,300 | 13,681 | (7,619) |
| Enterprise | 53,500 | 75,458 | 21,958 |
| Total | \$169,728 | \$168,522 | (\$1,206) |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$126,917 | \$79,414 | \$47,503 |
| Special Revenue | 49,656 | 19,617 | 30,039 |
| Enterprise | 80,012 | 79,807 | 205 |
| Total | \$256,585 | \$178,838 | \$77,747 |

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$104,190 | \$84,223 | (\$19,967) |
| Special Revenue | 20,200 | 13,618 | (6,582) |
| Enterprise | 48,500 | 44,999 | (3,501) |
| Total | \$172,890 | \$142,840 | (\$30,050) |

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$142,066 | \$90,110 | \$51,956 |
| Special Revenue | 45,275 | 10,338 | 34,937 |
| Enterprise | 82,060 | 57,435 | 24,625 |
| Total | \$269,401 | \$157,883 | \$111,518 |

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.

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, 2003 was as follows:

| | Principal | Interest Rate |
|---|-----------|---------------|
| Water System Improvement Bond-Park National Bank | \$21,589 | 6% |

The Water System Improvement Bond was issued to cover costs associated with the iron filter project for the Village's water system. The bond will be repaid in monthly installments of \$738.70, including interest.

The bonds are collateralized by the Village's taxing authority.

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

| | Water System Improvement Bond |
|--------------------------|----------------------------------|
| Year ending December 31: | |
| 2004 | \$8,864 |
| 2005 | 8,864 |
| 2006 | 5,171 |
| Total | \$22,899 |

6. RETIREMENT SYSTEM

The Village's 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 postretirement 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 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK POOL MEMBERSHIP

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| <u>Casualty Coverage</u> | <u>2002</u> | <u>2001</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$20,174,977 | \$19,358,458 |
| Liabilities | <u>(8,550,749)</u> | <u>(8,827,588)</u> |
| Retained earnings | <u>\$11,624,228</u> | <u>\$10,530,870</u> |

| <u>Property Coverage</u> | <u>2002</u> | <u>2001</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$2,565,408 | 1,890,323 |
| Liabilities | <u>(655,318)</u> | <u>(469,100)</u> |
| Retained earnings | <u>\$1,910,090</u> | <u>\$1,421,223</u> |

(Latest Information Available)



Auditor of State Betty Montgomery

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

Village of St. Louisville
Licking County
1 School Street P.O. Box 149
St. Louisville, Ohio 43071

To the Village Council:

We have audited the accompanying financial statements of the Village of St. Louisville, Licking County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated May 28, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2003-001. We also noted a certain immaterial instance of noncompliance, which we have reported to management of the Village in a separate letter dated May 28, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, which we have reported to management of the Village in a separate letter dated May 28, 2004.

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Village of St. Louisville
Licking County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 28, 2004

VILLAGE OF ST. LOUISVILLE
LICKING COUNTY

SCHEDULE OF FINDING
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to purchase commitment for 41% of the expenditures tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF ST. LOUISVILLE
LICKING COUNTY**

**SCHEDULE OF FINDING
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-001 (Continued)

Noncompliance Citation (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

VILLAGE OF ST. LOUISVILLE
LICKING COUNTY

SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2003 AND 2002

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|---|
| 2001-30645-001 | Revised Code 5705.41 (D), Failure to Certify Funds | No | Reissued as Finding 2003-001 |



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VILLAGE OF ST. LOUISVILLE

LICKING 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 6, 2004**