



**VILLAGE OF PIKETON
PIKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF PIKETON
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds Types- For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds Types- For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	19
Corrective Action Plan	20

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Piketon
Pike County
P.O. Box 547
Piketon, Ohio 45661

To the Mayor and Members of Council:

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

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

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

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

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As discussed in Note 9 to the financial statements, the Village accumulated negative cash fund balances in the Street Construction, Maintenance, and Repair Fund of \$51,414, the Litter Control Fund of \$331, the Police Fund of \$92,571, and the Water Revenue Fund of \$69,923. Existence of these deficits raises substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to these deficits are described in Note 10 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2000, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

April 26, 2000

**VILLAGE OF PIKETON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$42,353	\$66,225	\$108,578
Intergovernmental Receipts	135,794	124,651	260,445
Charges for Services	8,998	0	8,998
Fines, Licenses and Permits	520	73,783	74,303
Miscellaneous	2,213	112,445	114,658
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	189,878	377,104	566,982
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
General Government	13,580	37,320	50,900
Security of Persons and Property	87,464	148,233	235,697
Transportation	219	105,992	106,211
Debt Service:			
Bond Principal Payments	0	14,665	14,665
Interest and Fiscal Charges	0	1,014	1,014
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	101,263	307,224	408,487
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over/(Under) Cash Disbursements	88,615	69,880	158,495
	<hr/>	<hr/>	<hr/>
Other Financing Sources/(Uses):			
Other Financing Sources	453	4,099	4,552
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources/(Uses)	453	4,099	4,552
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	89,068	73,979	163,047
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	12,690	38,905	51,595
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$101,758	\$112,884	\$214,642
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF PIKETON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
 IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES-
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$356,619	\$0	\$356,619
Total Operating Cash Receipts	<u>356,619</u>	<u>0</u>	<u>356,619</u>
Operating Cash Disbursements:			
Personal Services	142,078	0	142,078
Contractual Services	82,607	0	82,607
Supplies and Materials	52,207	0	52,207
Total Operating Cash Disbursements	<u>276,892</u>	<u>0</u>	<u>276,892</u>
Operating Income	<u>79,727</u>	<u>0</u>	<u>79,727</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	1,615	72,397	74,012
Total Non-Operating Cash Receipts	<u>1,615</u>	<u>72,397</u>	<u>74,012</u>
Non-Operating Cash Disbursements:			
Debt Service	(125,504)	0	(125,504)
Other Non-Operating Expenses	(105)	(72,397)	(72,502)
Total Non-Operating Cash Disbursements	<u>(125,609)</u>	<u>(72,397)</u>	<u>(198,006)</u>
Net Receipts Over/(Under) Disbursements	(44,267)	0	(44,267)
Fund Cash Balances, January 1	<u>45,326</u>	<u>0</u>	<u>45,326</u>
Fund Cash Balances, December 31	<u>\$1,059</u>	<u>\$0</u>	<u>\$1,059</u>

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

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

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$34,171	\$65,370	\$99,541
Intergovernmental	94,391	71,242	165,633
Charges for Services	402	53,221	53,623
Miscellaneous	1,207	93,234	94,441
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	130,171	283,067	413,238
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
General Government	33,660	19,721	53,381
Security of Persons and Property	28,732	158,448	187,180
Leisure Time Activities	0	10	10
Basic Utility Service	1,292	0	1,292
Transportation	95	70,162	70,257
Debt Service:			
Bond Principal Payments	0	3,137	3,137
Interest and Fiscal Charges	0	446	446
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	63,779	251,924	315,703
	<hr/>	<hr/>	<hr/>
Excess Cash Receipts Over/(Under) Cash Disbursements	66,392	31,143	97,535
	<hr/>	<hr/>	<hr/>
Other Financing Sources/(Uses):			
Other Uses	0	(42,000)	(42,000)
Other Sources	3,438	7,950	11,388
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources/(Uses)	3,438	(34,050)	(30,612)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	69,830	(2,907)	66,923
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	(57,140)	41,812	(15,328)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$12,690	\$38,905	\$51,595
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$339,704	\$0	\$339,704
Total Operating Cash Receipts	<u>339,704</u>	<u>0</u>	<u>339,704</u>
Operating Cash Disbursements:			
Personal Services	120,888	0	120,888
Contractual Services	84,208	0	84,208
Supplies and Materials	41,020	0	41,020
Capital Outlay	7,408	0	7,408
Total Operating Cash Disbursements	<u>253,524</u>	<u>0</u>	<u>253,524</u>
Operating Income	<u>86,180</u>	<u>0</u>	<u>86,180</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	4,666	55,003	59,669
Total Non-Operating Cash Receipts	<u>4,666</u>	<u>55,003</u>	<u>59,669</u>
Non-Operating Cash Disbursements:			
Debt Service	(169,191)	0	(169,191)
Other Non-Operating Expenses	(30)	(55,003)	(55,033)
Total Non-Operating Cash Disbursements	<u>(169,221)</u>	<u>(55,003)</u>	<u>(224,224)</u>
Net Receipts Over/(Under) Disbursements	(78,375)	0	(78,375)
Fund Cash Balances, January 1	<u>123,701</u>	<u>0</u>	<u>123,701</u>
Fund Cash Balances, December 31	<u>\$45,326</u>	<u>\$0</u>	<u>\$45,326</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Piketon, Pike 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 water and sewer utilities and police protection.

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 a payment is made rather than when a liability is incurred.

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

C. CASH AND INVESTMENTS

The Village has one primary checking account and had no investments during 1998 and 1999.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund - This fund received gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

Police Fund - This fund received real estate and personal property tax money, liquor permit fees, and fine money for maintaining the security of persons and property within the Village.

Revolving Loan Fund - This fund received principal and interest payments from individuals and businesses within the Village that obtained a revolving loan.

Street Light Fund - This fund received real estate and personal property tax money to maintain street lighting for the Village.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

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 Funds:

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

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

Fiduciary Fund (Agency Fund)

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

Mayor's Court Fund - This fund received fine money which is paid into the Village's Police Fund for maintaining the security of persons and property within the Village.

E. BUDGETARY PROCESS

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

Appropriations

Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village 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.

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.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber any purchase commitments as required by Ohio Rev. Code Section 5705.41(D).

A summary of 1999 and 1998 budgetary activity appears in Note 3.

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

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.

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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 and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$215,701</u>	<u>\$96,921</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$119,040	\$190,331	\$71,291
Special Revenue	195,750	381,203	185,453
Enterprise	<u>315,026</u>	<u>358,234</u>	<u>43,208</u>
Total	<u>\$629,816</u>	<u>\$929,768</u>	<u>\$299,952</u>

1999 Budgeted vs. Actual Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Disbursements</u>	<u>Variance</u>
General	\$143,347	\$101,263	\$42,084
Special Revenue	306,700	307,224	(524)
Enterprise	<u>281,250</u>	<u>402,501</u>	<u>(121,251)</u>
Total	<u>\$731,297</u>	<u>\$810,988</u>	<u>(\$79,691)</u>

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

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$75,941	\$133,609	\$57,668
Special Revenue	195,401	291,017	95,616
Enterprise	<u>361,550</u>	<u>344,370</u>	<u>(17,180)</u>
Total	<u>\$632,892</u>	<u>\$768,996</u>	<u>\$136,104</u>

1998 Budgeted vs. Actual Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Disbursements</u>	<u>Variance</u>
General	\$94,500	\$63,779	\$30,721
Special Revenue	157,900	293,924	(136,024)
Enterprise	<u>374,250</u>	<u>422,745</u>	<u>(48,495)</u>
Total	<u>\$626,650</u>	<u>\$780,448</u>	<u>(\$153,798)</u>

Village Council made fund appropriations in excess of the resources certified as available by the County Budget Commission, contrary to the provision of Ohio Rev. Code Section 5705.39. Further, Council approved the expenditure of Village funds without the support of appropriations, contrary to the provision of Ohio Rev. Code Section 5705.41(B).

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.

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

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

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

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full time employees, as well as the Mayor, the Clerk, and the members of Council, belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55 % of participants' wages. The Village has paid all contributions required through December 31, 1999

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,031,611	8.07%
Capital Lease on 1997 Ford Ranger Truck	4,928	Not Applicable
Lawn Tractor Loan	5,581	10.50%
Police Cruiser Loans	<u>39,669</u>	4.25%
Total	<u>\$1,081,789</u>	

The Ohio Water Development Authority (OWDA) loan originated in July 1989 and relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved \$1,308,325 in loans to the Village for this project. The loans were scheduled to be repaid in semiannual installments of \$61,648 including interest, over 25 years. The scheduled payment was adjusted to reflect revisions in amounts actually borrowed.

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

<u>Year Ending December 31:</u>	<u>OWDA Loan</u>	<u>General Obligation Notes</u>
2000	\$123,296	\$19,006
2001	123,296	19,006
2002	123,296	14,849
2003	123,296	956
2004	123,296	0
Subsequent	<u>1,232,975</u>	<u>0</u>
	<u>\$1,849,455</u>	<u>\$53,817</u>

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance and life insurance to full-time employees through a private carrier.

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

8. LOANS RECEIVABLE

Loans outstanding at December 31, 1999, made from the Village's Revolving Loan Fund, totaled \$242,512. These loans were made to various individuals in amounts ranging from \$2,835 to \$25,000. The interest rate for all loans was 5% and the terms varied. Borrowers were required to sign a debt agreement with the Village. The Village did not have any more than a second mortgage on any of the revolving loans.

As of December 31, 1999, six loans receivable totaling \$34,804 were overdue by six months or more. These loans are in default for various reasons, including bankruptcy. The bankruptcy court has finalized the loans of \$16,982. At the present time the Village has not been notified what portion of this loan, if any, that it will receive as a settlement by the bankruptcy court.

9. DEFICIT FUND BALANCES

At December 31, 1999, the Village had negative cash fund balances, as follows, contrary to the provision of Ohio Rev. Code Section 5705.10:

<u>Fund Type/Fund</u>	<u>Negative Balance</u>
Special Revenue Fund Type:	
Street Construction, Maintenance, and Repair Fund	\$ 51,414
Litter Control Fund	331
Police Fund	92,571
Enterprise Fund Type:	
Water Revenue Fund	<u>69,923</u>
Total	<u>\$214,239</u>

10. GOING CONCERN

During fiscal year 1998, Village Council adopted a bed tax for the Village's three motels. In addition, the General Fund discontinued payments for the operation of the Village Police Department. As a result, the General Fund reported a positive fund balance, but the Police Fund reported a negative balance of \$70,527. Also, at the close of the fiscal year ended December 31, 1998, the Village had additional deficit fund balances in the Litter Control Fund of \$331; the Street Construction, Maintenance and Repair Fund of \$42,661; and the Water Revenue Fund of \$12,783.

During fiscal year 1999, the fund deficit in the Litter Control Fund remained the same as that fund is now closed. The deficit in the Street Construction, Maintenance, and Repair Fund increased by \$8,753; the deficit in the Police Fund increased by \$22,044; and the deficit in the Water Revenue Fund increased by \$57,140. Council has hired additional police officers in an attempt to raise revenues and are reviewing the water usage rates for the surrounding area.

Due to the increasing deficit fund balances in the above mentioned funds and the failure of the renewal levy for current expenses described in Note 11, the Village may be facing a fiscal watch/fiscal emergency condition in fiscal year 2000.

11. SUBSEQUENT EVENT

On March 7, 2000, a renewal levy for current expenses was defeated. This levy was for two mills and brought in approximately \$24,000 annually, which Council used to provide street lights.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of Piketon
Pike County
P.O. Box 547
Piketon, Ohio 45661

To the Mayor and Members of Council:

We have audited the financial statements of the Village of Piketon, Pike County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 26, 2000, in which we expressed substantial doubt about the Village's ability to continue as a going concern. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-30766-001 through 1999-30766-005. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated April 26, 2000.

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 judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-30766-006 and 1999-30766-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are 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 April 26, 2000.

This report is intended for the information of the Mayor, Village Council, and management, and is not intended to be and should not be used by any one other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

April 26, 2000

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

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

Noncompliance Citations

FINDING NUMBER 1999-30766-001

Ohio Rev. Code Section 5705.10 requires that money paid into any fund shall be used only for the purposes for which the fund is established.

The following funds had negative cash balances as of December 31, 1999: Street Construction, Maintenance and Repair Fund (\$51,414), Litter Control Fund (\$331), Police Fund (\$92,571) and the Water Revenue Fund (\$69,923).

The following funds had negative cash balances as of December 31, 1998: Street Construction, Maintenance and Repair Fund (\$42,661), Litter Control Fund (\$331), Police Fund (\$70,527) and the Water Revenue Fund (\$12,783).

Negative cash balances indicate that monies from one fund were used to pay expenditures for another.

We recommend that the Village not make any disbursements from any fund unless there is enough cash in the fund balance to cover the expenditure.

FINDING NUMBER 1999-30766-002

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated resources for that fund.

Appropriations exceeded estimated resources in the following funds for the fiscal year 1998: General Fund (\$75,699), and the Street Construction, Maintenance and Repair Fund (\$19,746).

Appropriations exceeded estimated resources in the following funds for the fiscal year 1999: General Fund (\$11,617), Street Construction, Maintenance and Repair Fund (\$21,661), Permissive Tax Fund (\$79,621), Police Fund (\$80,527), and the Water Revenue Fund (\$25,783).

We recommend that the Village Council not make appropriations, to any fund, in excess of the total estimated resources for that fund, as certified by the County Budget Commission.

FINDING NUMBER 1999-30766-003

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The following funds were found to have expenditures which exceeded appropriations for fiscal year 1998: Street Construction, Maintenance, and Repair Fund (\$29,738), Street Light Fund (\$15,500), Police Fund (\$110,684), Water Revenue Fund (\$23,719), and the Sewer Revenue Fund (\$149,996).

The following funds were found to have expenditures which exceeded appropriations for fiscal year 1999: Street Construction, Maintenance, and Repair Fund (\$43,072), State Highway Improvement Fund (\$4,858), Community Development Block Grant Fund (\$8,965), Drug Law Enforcement Fund (\$959), Street Light Fund (\$15,434), Police Fund (\$100,699), Water Revenue Fund (\$39,182), and the Sewer Revenue Fund (\$209,214).

We recommend that the Village Council not approve any disbursement of Village funds that is not supported by appropriations.

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

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

FINDING NUMBER 1999-30766-004

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order involving the disbursement of monies unless there is attached thereto a certificate of the fiscal officer of the subdivision 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. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

1. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or if such expenditure is otherwise valid; and
2. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without affirmation of the Village Council.

The Clerk did not certify any expenditures during the audit period.

We recommend that Village Council not approve the expenditure of Village money from any fund that does not have a certificate from the Village Clerk that there are appropriations available to support the expenditure.

FINDING NUMBER 1999-30766-005

Ohio Admin. Code Section 117-5-10 requires each Village to employ the uniform system of accounting as prescribed in Ohio Admin. Code Sections 117-5-01 through 117-5-18. The uniform system of accounting requires that three basic records be maintained. They are the cash journal, the receipts ledger, and the appropriation ledger.

The Village did maintain a cash journal for 1999 and 1998, and a receipts ledger for 1999, but did not maintain an appropriation ledger for 1999 and 1998, and a receipts ledger for 1998.

The cashbook was recorded in pencil, and each month's cashbook sheet was removed from the permanent binder and filed with the bank statement.

We recommend the Village Clerk maintain the cash journal in the permanent binder. This journal should be recorded in ink with none of the pages removed from it. The cash journal should contain monthly and year-to-date totals and should be reconciled with the bank each month.

The Village shall maintain a receipts ledger as follows:

Each Village shall post to each receipts account the estimated amount of money to be received into the account as specified by the County Budget Commission in its official estimate of balance and receipts, set in the certificate of estimate resources. This estimated amount shall be entered in the "balance" column under the heading "memoranda." When the monies are received, the amount is first posted to the cash journal as prescribed in rule 117-5-09 of the Administrative Code and then posted to the proper account in the receipts ledger. In posting, the amount shall be entered in the "amount received" column and in the "credit" column and subtracted from the budget estimate amount ("balance"). When properly posted, this "balance" column will accurately show the amount still anticipated to be received for the fiscal year.

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

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

FINDING NUMBER 1999-30766-005 (Continued)

At the close of the month, the Village shall rule-off the column entitled "amount received" and enter the total for the month in ink. The total year-to -date shall be entered on the next line and the column shall be ruled off.

The Village shall maintain an appropriation ledger as follows:

Each Village shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution. Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining balance. This procedure should use as the source posting document, an executed purchase order. The name of the vendor as it appears on the purchase order should be entered in the "vendor" column. The amount of the purchase order is entered in the "debit" column and is also subtracted from the unencumbered balance. When the invoice is received from the vendor and a warrant written to meet the obligation, the name of the vendor is again entered and the amount of the warrant is entered in the "amount of warrant" column. If the amount encumbered and the amount of the warrant are exactly the same, no other entry is made. However, if the amount entered in the debit column is different from the amount of the warrant, an adjustment must be made. The amount of the warrant is entered in the "amount of warrant" column; if the warrant is less than the amount entered in the "debit" column, the difference shall be entered in the "credit" column and added to the unencumbered balance column. If there is a standing order or if the invoice is to be paid at the time the purchase order is written, then the name of the vendor is entered and the amount to be paid is entered in the "amount of warrant" column, in the "debit" column, and subtracted from the unencumbered balance.

Appropriate columns shall be totaled and reconciled monthly and yearly.

FINDING NUMBER 1999-30766-006

Actual Receipts

During our testing of budgetary compliance we noted that the estimated receipts were greater than the actual receipts at December 31, 1998, in the Water Revenue Fund (\$13,379).

Since appropriations and subsequent expenditures are based on estimated receipts, a shortage of actual receipts could result in overspending.

We recommend that the Clerk monitor actual receipts. When it is apparent that actual receipts will not reach the budgetary estimates, we recommend that the Clerk obtain a reduced amended certificate from the County Budget Commission. We further recommend that Council make corresponding reductions in appropriations.

FINDING NUMBER 1999-30766-007

Monitoring Financial Activity

The Village experienced several problems with fiscal management, such as:

1. Negative fund balances;
2. Approval of expenditures when there were no appropriations to support them;
3. Making appropriations beyond the estimated revenue certified as available; and
4. Approval of revolving loans to persons who currently were in default for prior loans.

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-30766-007 (Continued)

Monitoring Financial Activity (Continued)

These problems may have been prevented had Council been provided with simple fiscal tools, such as, budget to actual reports for revenues and expenditures.

The Village Clerk should provide these reports to Council and Council should review them with due care in order to make informed decisions.

**VILLAGE OF PIKETON
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999 AND 1998**

Finding Number	Finding Summary	Fully Corrected?	Explanation if not fully corrected
1997-30766-001	Deficit fund balances.	Partially Corrected	General Fund was corrected, but the Water Revenue Fund now has a deficit fund balance.
1997-30766-002	Appropriations exceeded estimated revenue.	No	Not corrected.
1997-30766-003	Disbursements exceeded appropriations.	No	Not corrected.
1997-30766-004	Budget vs. Actual Reports	No	Not corrected.

**VILLAGE OF PIKETON
CORRECTIVE ACTION PLAN
DECEMBER 31, 1999 AND 1998**

Finding Number	Planned Corrective Action	Anticipated Compliance Date	Responsible Contact Person
1999-30766-001	Negative fund balance in the Police Fund will be reduced by increasing fines and forfeitures from a monthly average of \$9,000 to a monthly average of \$13,000 to \$15,000. An increase in water rates will help reduce the deficit balance in the Water Revenue Fund. This is presently being studied by Council. The maintenance of an appropriation ledger in the future should provide management with a more detailed picture of the financial status.	January, 2001	Beverly Legg, Clerk/Treasurer Rhonda Clemmons, Administrator Carl Irvine, Mayor
1999-30766-001	The appropriation ledger will be maintained and compared to the Amended Certificates of Estimated Resources when they are approved by Council.	January, 2001	Beverly Legg, Clerk/Treasurer Rhonda Clemmons, Administrator Carl Irvine, Mayor
1999-30766-003	Maintenance of the appropriation ledger should prevent expenditures exceeding appropriations.	January, 2001	Beverly Legg, Clerk/Treasurer Rhonda Clemmons, Administrator Carl Irvine, Mayor
1999-30766-004	Proper use of the purchase orders system and maintenance of an appropriation ledger should prevent this situation from continuing.	January, 2001	Beverly Legg, Clerk/Treasurer Rhonda Clemmons, Administrator Carl Irvine, Mayor
1999-30766-005	Proper maintenance of the cashbook and maintenance of an appropriation ledger should alleviate this problem in the future.	January, 2001	Beverly Legg, Clerk/Treasurer Rhonda Clemmons, Administrator Carl Irvine, Mayor

**VILLAGE OF PIKETON
CORRECTIVE ACTION PLAN
DECEMBER 31, 1999 AND 1999
(Continued)**

1999-30766-006	Budget to actual reports and monthly monitoring of receipts should prevent this situation from continuing in the future	January, 2001	Beverly Legg, Clerk/Treasurer Rhonda Clemmons, Administrator Carl Irvine, Mayor
1999-30766-007	Management will make Council aware of the problems with fiscal management and provide them with the information necessary to make the proper decisions.	January, 2001	Beverly Legg, Clerk/Treasurer Rhonda Clemmons, Administrator Carl Irvine, Mayor



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VILLAGE OF PIKETON

PIKE 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
MAY 25, 2000**