



**VILLAGE OF MT. EATON
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MT. EATON
WAYNE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Mt. Eaton
Wayne County
15958 E. Main Street
Mt. Eaton, OH 44659

To the Village Council:

We have audited the accompanying financial statements of the Village of Mt. Eaton, Wayne 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 audits.

We conducted our audits 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 audits 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 audits provide 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, 1999 and 1998, 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 December 6, 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, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 6, 2000

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**VILLAGE OF MT. EATON
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$76,240				\$76,240
Intergovernmental	18,700	\$13,714		\$20,324	52,738
Fines, Licenses, and Permits	436	500			936
Miscellaneous	3,954	1,872			5,826
Total Cash Receipts	<u>99,330</u>	<u>16,086</u>		<u>20,324</u>	<u>135,740</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	62,730	30,370			93,100
Public Health Services	1,212				1,212
Leisure Time Activities	1,085				1,085
General Government	36,886				36,886
Debt Service:					
Principal Payments			\$5,431		5,431
Interest Payments			1,138		1,138
Capital Outlay				60,318	60,318
Total Cash Disbursements	<u>101,913</u>	<u>30,370</u>	<u>6,569</u>	<u>60,318</u>	<u>199,170</u>
Total Receipts (Under) Disbursements	<u>(2,583)</u>	<u>(14,284)</u>	<u>(6,569)</u>	<u>(39,994)</u>	<u>(63,430)</u>
Other Financing Receipts/(Disbursements):					
Proceeds of Notes				28,810	28,810
Sale of Fixed Assets	950				950
Transfers-In	22,087	21,300	6,569		49,956
Transfers-Out	(24,569)		(1,596)		(26,165)
Total Other Financing Receipts/(Disbursements)	<u>(1,532)</u>	<u>21,300</u>	<u>4,973</u>	<u>28,810</u>	<u>53,551</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,115)</u>	<u>7,016</u>	<u>(1,596)</u>	<u>(11,184)</u>	<u>(9,879)</u>
Fund Cash Balances, January 1	<u>57,953</u>	<u>14,774</u>	<u>1,596</u>	<u>31,843</u>	<u>106,166</u>
Fund Cash Balances, December 31	<u>\$53,838</u>	<u>\$21,790</u>	<u>\$0</u>	<u>\$20,659</u>	<u>\$96,287</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MT. EATON
WAYNE COUNTY
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 Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$55,436		\$55,436
Fines and Costs		\$29,541	29,541
Miscellaneous	577		577
Total Operating Cash Receipts	<u>56,013</u>	<u>29,541</u>	<u>85,554</u>
Operating Cash Disbursements:			
Personal Services	9,510		9,510
Contractual Services	5,157		5,157
Supplies and Materials	15,918		15,918
Total Operating Cash Disbursements	<u>30,585</u>		<u>30,585</u>
Operating Income	<u>25,428</u>	<u>29,541</u>	<u>54,969</u>
Non-Operating Cash Disbursements:			
Debt Service	12,862		12,862
Other Non-Operating Cash Disbursements		4,154	4,154
Total Non-Operating Cash Disbursements	<u>12,862</u>	<u>4,154</u>	<u>17,016</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	12,566	25,387	37,953
Transfers-In	4,384		4,384
Transfers-Out	<u>(2,788)</u>	<u>(25,387)</u>	<u>(28,175)</u>
Net Receipts Over Disbursements	14,162		14,162
Fund Cash Balances, January 1	<u>46,232</u>		<u>46,232</u>
Fund Cash Balances, December 31	<u>\$60,394</u>	<u>\$0</u>	<u>\$60,394</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MT. EATON
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$71,307				\$71,307
Intergovernmental	15,570	\$8,778		\$18,121	42,469
Fines, Licenses, and Permits	156	200			356
Miscellaneous	6,249	2,582		15	8,846
	<u>93,282</u>	<u>11,560</u>		<u>18,136</u>	<u>122,978</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	93,110	11,660			104,770
Public Health Services	1,152				1,152
Leisure Time Activities	654				654
General Government	40,197				40,197
Debt Service:					
Principal Payments			\$1,309		1,309
Interest Payments			333		333
Capital Outlay				151,107	151,107
	<u>135,113</u>	<u>11,660</u>	<u>1,642</u>	<u>151,107</u>	<u>299,522</u>
Total Cash Disbursements					
Total Receipts (Under) Disbursements	<u>(41,831)</u>	<u>(100)</u>	<u>(1,642)</u>	<u>(132,971)</u>	<u>(176,544)</u>
Other Financing Receipts/(Disbursements):					
Proceeds of Notes	23,400			132,121	155,521
Transfers-In	24,205	6,840	1,642		32,687
Transfers-Out	(4,642)				(4,642)
	<u>42,963</u>	<u>6,840</u>	<u>1,642</u>	<u>132,121</u>	<u>183,566</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,132	6,740		(850)	7,022
Fund Cash Balances, January 1	56,821	8,034	1,596	32,693	99,144
Fund Cash Balances, December 31	<u>\$57,953</u>	<u>\$14,774</u>	<u>\$1,596</u>	<u>\$31,843</u>	<u>\$106,166</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MT. EATON
WAYNE COUNTY
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 Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$52,999		\$52,999
Fines and Costs		\$35,902	35,902
Miscellaneous	795		795
	<u>53,794</u>	<u>35,902</u>	<u>89,696</u>
Operating Cash Disbursements:			
Personal Services	9,208		9,208
Contractual Services	5,210		5,210
Supplies and Materials	13,394		13,394
	<u>27,812</u>		<u>27,812</u>
Operating Income	<u>25,982</u>	<u>35,902</u>	<u>61,884</u>
Non-Operating Cash Disbursements:			
Debt Service	9,076		9,076
Other Non-Operating Cash Disbursements		7,857	7,857
	<u>9,076</u>	<u>7,857</u>	<u>16,933</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	16,906	28,045	44,951
Transfers-In	9,076		9,076
Transfers-Out	<u>(9,076)</u>	<u>(28,045)</u>	<u>(37,121)</u>
Net Receipts Over Disbursements	16,906		16,906
Fund Cash Balances, January 1	<u>29,326</u>		<u>29,326</u>
Fund Cash Balances, December 31	<u>\$46,232</u>	<u>\$0</u>	<u>\$46,232</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MT. EATON
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mt. Eaton, Wayne 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 utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MT. EATON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting - Continued

2. Special Revenue Fund

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

Computer Fund - This fund receives court costs from the Village Mayor's Court to purchase and upgrade computer equipment used in the Mayor's Court.

3. Debt Service Fund

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

Cruiser Note Fund - This fund receives transfers from the General Fund and is used to retire the note for the Village police cruiser.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

Waste Water Sewer Fund - This fund receives OWDA loan proceeds and OPWC grant funds for the construction of a Village waste water treatment plant.

5. 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 receives charges for services from residents to cover the cost of providing this utility.

1st Mortgage Debt Service Fund - This fund receives transfers from the Water Fund to retire debt incurred for improvement of the Village water line.

**VILLAGE OF MT. EATON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. 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 agency fund:

Mayor's Court Agency Fund - This fund is used to record activity for the Village Mayor's Court.

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 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

4. Non Compliance

! Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify the availability of funds for most of its expenditures during 1999 and 1998.

! Contrary to Ohio Rev. Code Section 5705.41(B), the Villages's expenditures exceeded appropriations in 1999 for the Special Revenue Street Construction Maintenance and Repair Fund, and the Special Revenue - Police Impound Fund by \$8,407 and \$360, respectively.

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

**VILLAGE OF MT. EATON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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	\$ 146,681	\$ 142,398
Certificates of deposit	<u>10,000</u>	<u>10,000</u>
Total deposits and investments	<u>\$ 156,681</u>	<u>\$ 152,398</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,505	\$ 122,367	\$ (9,138)
Special Revenue	34,351	37,386	3,035
Debt Service	6,569	6,569	0
Capital Projects	2,800,000	49,134	(2,750,866)
Enterprise	<u>59,392</u>	<u>60,397</u>	<u>1,005</u>
Total	<u>\$ 3,031,817</u>	<u>\$ 275,853</u>	<u>\$ (2,755,964)</u>

**VILLAGE OF MT. EATON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY - Continued

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 146,611	\$ 126,482	\$ 20,129
Special Revenue	28,530	30,370	(1,840)
Debt Service	8,165	8,165	0
Capital Projects	2,800,000	60,318	2,739,682
Enterprise	74,099	46,235	27,864
Total	<u>\$ 3,057,405</u>	<u>\$ 271,570</u>	<u>\$ 2,785,835</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 100,078	\$ 140,887	\$ 40,809
Special Revenue	23,008	18,400	(4,608)
Debt Service	1,632	1,642	10
Capital Projects	2,800,000	150,257	(2,649,743)
Enterprise	59,636	62,870	3,234
Total	<u>\$ 2,984,354</u>	<u>\$ 374,056</u>	<u>\$ (2,610,298)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 147,499	\$ 139,755	\$ 7,744
Special Revenue	26,500	11,660	14,840
Debt Service	1,642	1,642	0
Capital Projects	2,800,000	151,107	2,648,893
Enterprise	68,051	45,964	22,087
Total	<u>\$ 3,043,692</u>	<u>\$ 350,128</u>	<u>\$ 2,693,564</u>

The Capital Projects Fund shows budgeted receipts in excess of actual receipts by \$2,750,866 and \$2,649,743 during 1999 and 1998, respectively. The Village is planning on obtaining funding for the construction of a waste water treatment facility from the Ohio Water Development Authority (OWDA). As of the end of each year, this agreement had not been approved by OWDA. The Village has, however, included \$2,800,000 of estimated resources in its Capital Projects Fund in anticipation of the OWDA funding, resulting in the significant budget to actual variance in the fund.

**VILLAGE OF MT. EATON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 276,688	6.18%
Police Cruiser Note	<u>16,660</u>	5.80%
Total	<u>\$ 293,348</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$400,000 in loans to the Village for this project. The Village has up to five years to complete the project after which a payment schedule will be calculated. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Police Cruiser loan relates to an unsecured loan from First National Bank to purchase a new Village police cruiser. The loan is being paid in monthly installments of \$547.

**VILLAGE OF MT. EATON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Police Cruiser Loan
2000	\$ 6,569
2001	6,569
2002	<u>4,926</u>
Total	<u>\$ 18,064</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other employees 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 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 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 gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

8. SUBSEQUENT EVENTS

On February 9, 2000, the police chief resigned due to alleged theft in office. An investigation performed by the Wayne County's Sheriff's Department revealed that during the police chief's employment with the Village from September 1997 through February 2000, the police chief had used Village funds to purchase, for personal use, gasoline, police equipment, computer equipment, software and other miscellaneous items. The police chief was found guilty by the Wayne County Court of Common Pleas, and was ordered to pay restitution to the Village in the amount of \$3,944 and was placed on two years probation. The police equipment and computer equipment was returned to the Village.

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

Village of Mt. Eaton
Wayne County
15958 E. Main Street
Mt. Eaton, OH 44659

To the Village Council:

We have audited the accompanying financial statements of the Village of Mt. Eaton, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated December 6, 2000. We conducted our audits 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 audits 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 1999-30985-001 and 1999-30985-002.

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 that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 6, 2000.

Village of Mt. Eaton
Wayne County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 6, 2000

**VILLAGE OF MT. EATON
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30985-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereto.

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

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid

2. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid

During 1999 and 1998, 98 percent of the expenditures tested (59 out of 60) were not certified by the Clerk/Treasurer prior to incurring the obligation. It was also found that neither of the two then and now exceptions described above were utilized for the items found to be in non-compliance. The Village should inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Village should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

FINDING NUMBER 1999-30985-002

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

At December 31, 1999, total fund expenditures exceeded total fund appropriations within the following funds:

Special Revenue Fund - Street Construction Repair and Maintenance Fund	\$8,407
Special Revenue Fund - Police Impound Fund	\$360

The Village Council should monitor appropriations and expenditures to help ensure compliance with this requirement.



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OFFICE OF THE AUDITOR

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VILLAGE OF MT. EATON

WAYNE 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
DECEMBER 28, 2000**