



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF DEERSVILLE
HARRISON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Deersville
Harrison County
P. O. Box 34
Deersville, Ohio 44693

To the Village Council:

We have audited the accompanying financial statements of the Village of Deersville, Harrison County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Deersville, Harrison County, as of December 31, 2000 and 1999, 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 June 15, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management and 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

June 15, 2001

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**VILLAGE OF DEERSVILLE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes Receipts	\$924		\$924
Intergovernmental Receipts	11,656	\$2,519	14,175
Interest Receipts	156	63	219
Miscellaneous	1,005		1,005
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	13,741	2,582	16,323
Cash Disbursements:			
Current:			
Security of Persons and Property	600		600
Basic Utility Services	1,729		1,729
Transportation	6,337	1,133	7,470
General Government	3,015		3,015
Capital Outlay	83	3,136	3,219
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	11,764	4,269	16,033
Total Receipts Over/(Under) Disbursements	1,977	(1,687)	290
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	11,519	5,384	16,903
Fund Cash Balances, December 31	<u><u>\$13,496</u></u>	<u><u>\$3,697</u></u>	<u><u>\$17,193</u></u>

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

VILLAGE OF DEERSVILLE
HARRISON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES INFUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
Operating cash revenues:	
Charges for services	\$11,160
Miscellaneous	<u>25</u>
Total operating cash revenues	11,185
Operating cash expenses:	
Personal services	5,753
Basic Utility Services	778
Supplies and materials	1,848
Miscellaneous	236
Capital Outlay	<u>27,150</u>
Total operating cash expenses	35,765
Operating income/(loss)	(24,580)
Non-operating cash revenues:	
Interest	161
Grant Revenues	<u>26,800</u>
Total non-operating cash revenues	26,961
Excess of revenues over/(under) expenses	2,381
Fund cash balances, January 1	<u>10,043</u>
Fund cash balances, December 31	<u><u>\$12,424</u></u>

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

**VILLAGE OF DEERSVILLE
HARRISON 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>	
Cash Receipts:			
Local Taxes Receipts	\$876		\$876
Intergovernmental Receipts	9,653	\$2,651	12,304
Interest	165	72	237
Miscellaneous	248		248
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	10,942	2,723	13,665
Cash Disbursements:			
Current:			
Security of Persons and Property	600		600
Basic Utility Services	1,664		1,664
Transportation	2,486	362	2,848
General Government	6,724		6,724
Miscellaneous	539		539
Capital Outlay	713	3,339	4,052
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	12,726	3,701	16,427
Total Receipts Over/(Under) Disbursements	(1,784)	(978)	(2,762)
Fund Cash Balances, January 1	13,303	6,362	19,665
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$11,519</u>	<u>\$5,384</u>	<u>\$16,903</u>

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

VILLAGE OF DEERSVILLE
HARRISON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Enterprise</u>
Operating cash revenues:	
Charges for services	\$11,193
Miscellaneous	150
	<hr/>
Total operating cash revenues	11,343
Operating cash expenses:	
Personal services	5,199
Basic Utility Services	891
Supplies and materials	365
Miscellaneous	417
Capital Outlay	556
	<hr/>
Total operating cash expenses	7,428
Operating income/(loss)	3,915
Non-operating cash revenues:	
Miscellaneous	13
Interest Revenue	91
	<hr/>
Total non-operating cash revenues	104
Excess of revenues over/(under) expenses	4,019
Fund cash balances, January 1	6,024
	<hr/>
Fund cash balances, December 31	<u><u>\$10,043</u></u>

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

**VILLAGE OF DEERSVILLE
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Deersville, Harrison County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including street maintenance and a water utility. The Village contracts with the Harrison County Sheriff's department to provide security of persons and property. The Village also contracts with a volunteer fire department to provide fire protection within the Village.

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. 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 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 Fund:

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

3. Enterprise Fund

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.

**VILLAGE OF DEERSVILLE
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or 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. The Village Council did not approved the annual appropriation measure for fiscal year 2000 or fiscal year 1999, as required by section 5705.38, Ohio Revised Code.

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, contrary to Section 5705.41(D).

A summary of 2000 and 1999 budgetary activity appears in Note 3.

E. 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. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2000</u>		<u>1999</u>
Demand deposits	\$ <u>29,617</u>	\$	<u>26,946</u>

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

**VILLAGE OF DEERSVILLE
HARRISON COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 11,863	\$ 13,741	\$ 1,878
Special Revenue	3,188	2,582	(606)
Enterprise	11,018	38,146	27,128
Total	<u>\$ 26,069</u>	<u>\$ 54,469</u>	<u>\$ 28,400</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 11,764	\$ (11,764)
Special Revenue	0	4,269	(4,269)
Enterprise	0	35,765	(35,765)
Total	<u>\$ 0</u>	<u>\$ 51,798</u>	<u>\$ (51,798)</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,681	\$ 10,942	\$ (4,739)
Special Revenue	3,188	2,723	(465)
Enterprise	11,018	11,447	429
Total	<u>\$ 29,887</u>	<u>\$ 25,112</u>	<u>\$ (4,775)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 12,726	\$ (12,726)
Special Revenue	0	3,701	(3,701)
Enterprise	0	7,428	(7,428)
Total	<u>\$ 0</u>	<u>\$ 23,855</u>	<u>\$ (23,855)</u>

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. In fiscal year 2000 and in fiscal year 1999 no appropriations were adopted. As a result 100% of expenditures exceeded appropriations in all funds.

**VILLAGE OF DEERSVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

5. RETIREMENT SYSTEM

The Village 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries during 1999 and 10.84% during 2000. The Village has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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



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

Village of Deersville
Harrison County
P. O. Box 34
Deersville, Ohio 44693

To the Village Council:

We have audited the accompanying financial statements of the Village of Deersville, Harrison County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 15, 2001. We conducted our audit in accordance with audited standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-31234-001 through 2000-31234-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 15, 2001.

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

June 15, 2001

VILLAGE OF DEERSVILLE
HARRISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-31234-001

Ohio Revised Code § 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, 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 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.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Council.

The Village did not certify any of the tested expenditures in 1999 and certified only salary and utility expenses in 2000 and neither of the abovementioned exceptions to the requirements were met. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Village should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment.

FINDING NUMBER 2000-31234-002

Ohio Revised Code § 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed by the taxing authority. The taxing authority may pass a temporary appropriation measure for meeting the ordinary disbursements until April 1 (October 1 for school districts) if the taxing authority wants to delay passage of the annual appropriation measure until the amended certificate is received from the county budget commission based upon actual year end balances. they want to receive the amended certificate from the county budget commission based upon actual year end balances.

The Village did not approve an appropriation measure for 2000 or 1999. Failure to appropriate expenditures could result in overspending or deficit balances. To improve control over Village finances, the Village should adopt an appropriation measure and record the approval in the minutes.

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. In fiscal year 2000 and in fiscal year 1999 no appropriations were adopted. As a result 100% of expenditures exceeded appropriations in all funds.

The Village should adopt appropriations and monitor disbursements throughout the year to guard against overspending and possible deficit balances. This procedure will help to ensure spending control and budgetary compliance.



STATE OF OHIO
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VILLAGE OF DEERSVILLE

HARRISON 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 17, 2001**