



**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Proctorville
Lawrence County
P.O. Box 406
Proctorville, Ohio 45669

To the Village Council Members:

We have audited the accompanying financial statement of the Village of Proctorville, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. This 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 Proctorville, Lawrence 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.

As described in Note 9, the Village General fund has experienced deficiencies of disbursements over receipts, and has a cash deficit of (\$24,387) at December 31, 2000. Management's plans to address this deficiency are also disclosed in Note 9.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 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.

Village of Proctorville
Lawrence County
Report of Independent Accountants
Page 2

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

Jim Petro
Auditor of State

June 26, 2001

**VILLAGE OF PROCTORVILLE
LAWRENCE 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:			
Property Tax and Other Local Taxes	\$20,364	\$5,541	\$25,905
Intergovernmental Receipts	42,175	32,616	74,791
Fines and Forfeitures	90,226		90,226
Earnings on Investments	627	474	1,101
Franchise Fees	3,168		3,168
Rental Income	13,627		13,627
Miscellaneous	1,023		1,023
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	171,210	38,631	209,841
Cash Disbursements:			
Current:			
Security of Persons and Property	130,558	5,999	136,557
Leisure Time Activities	5,714		5,714
Transportation		30,171	30,171
General Government	53,946		53,946
Debt Service:			
Principal Payments	1,013		1,013
Interest Payments	320		320
Capital Outlay	11,539		11,539
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	203,090	36,170	239,260
Total Cash Receipts Over/(Under) Cash Disbursements	(31,880)	2,461	(29,419)
Other Financing Receipts:			
Proceeds from Notes	11,539		11,539
Sale of Assets	1,521		1,521
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	13,060	0	13,060
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(18,820)	2,461	(16,359)
Fund Cash Balances, January 1	(5,567)	14,120	8,553
Fund Cash Balances, December 31	<u>(\$24,387)</u>	<u>\$16,581</u>	<u>(\$7,806)</u>

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

**VILLAGE OF PROCTORVILLE
LAWRENCE 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, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$91,483	\$	\$91,483
Interest	2,372		2,372
Miscellaneous	855		855
Total Operating Cash Receipts	<u>94,710</u>	<u>0</u>	<u>94,710</u>
Operating Cash Disbursements:			
Personal Services	34,797		34,797
Supplies and Materials	33,301		33,301
Capital Outlay	12,193		12,193
Total Operating Cash Disbursements	<u>80,291</u>	<u>0</u>	<u>80,291</u>
Operating Income/(Loss)	<u>14,419</u>	<u>0</u>	<u>14,419</u>
Non-Operating Cash Receipts:			
Proceeds from Notes	11,539		11,539
Other Non-Operating Receipts	2,850	106,358	109,208
Total Non-Operating Cash Receipts	<u>14,389</u>	<u>106,358</u>	<u>120,747</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	9,889		9,889
Interest	18,624		18,624
Other Non-Operating Cash Disbursements	2,803	106,697	109,500
Total Non-Operating Cash Disbursements	<u>31,316</u>	<u>106,697</u>	<u>138,013</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(2,508)	(339)	(2,847)
Fund Cash Balances, January 1	<u>56,077</u>	<u>1,736</u>	<u>57,813</u>
Fund Cash Balances, December 31	<u><u>\$53,569</u></u>	<u><u>\$1,397</u></u>	<u><u>\$54,966</u></u>

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

**VILLAGE OF PROCTORVILLE
LAWRENCE 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$17,537	\$4,799	\$22,336
Intergovernmental Receipts	39,482	33,647	73,129
Fines and Forfeitures	89,122		89,122
Earnings on Investments	508	429	937
Franchise Fees	3,061		3,061
Rental Income	13,527		13,527
Insurance Reimbursement	10,811		10,811
Confiscated Drug Money	8,169		8,169
Miscellaneous	5,723		5,723
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	187,940	38,875	226,815
Cash Disbursements:			
Current:			
Security of Persons and Property	151,839	5,498	157,337
Leisure Time Activities	1,710		1,710
Transportation		40,943	40,943
General Government	52,038		52,038
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	205,587	46,441	252,028
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (17,647)	<hr/> (7,566)	<hr/> (25,213)
Fund Cash Balances January 1	<hr/> 12,080	<hr/> 21,686	<hr/> 33,766
Fund Cash Balances, December 31	<hr/> (\$5,567)	<hr/> \$14,120	<hr/> \$8,553

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

**VILLAGE OF PROCTORVILLE
LAWRENCE 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 Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$94,002	\$0	\$94,002
Interest	2,147		2,147
Miscellaneous	372		372
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	96,521	0	96,521
Operating Cash Disbursements:			
Personal Services	29,918		29,918
Transportation	247		247
Supplies and Materials	35,823		35,823
Capital Outlay	8,781		8,781
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	74,769	0	74,769
Operating Income/(Loss)	<hr/>	<hr/>	<hr/>
	21,752	0	21,752
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	3,675	105,656	109,331
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts	3,675	105,656	109,331
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	8,405		8,405
Interest	18,775		18,775
Other Non-Operating Cash Disbursements	2,919	108,556	111,475
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	30,099	108,556	138,655
Net Cash Receipts Over/(Under) Cash Disbursements	(4,672)	(2,900)	(7,572)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	60,749	4,636	65,385
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$56,077	\$1,736	\$57,813

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

**VILLAGE OF PROCTORVILLE
LAWRENCE 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 Proctorville, Lawrence 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 maintenance of roads and police and fire protection, as well as providing water service for the citizens.

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.

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.

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.

2. Special Revenue Funds

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

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

Highway Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing Village highways.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

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

4. Fiduciary Funds (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 funds:

Agency Fund - This fund includes activities of the Village's 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 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. 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

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

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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	\$ 7,160	\$ 6,366
Certificates of deposit	<u>40,000</u>	<u>60,000</u>
Total deposits and investments	<u>\$ 47,160</u>	<u>\$ 66,366</u>

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

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 250,000	\$ 184,270	\$ (65,730)
Special Revenue	50,000	38,631	(11,369)
Enterprise	<u>200,000</u>	<u>109,099</u>	<u>(90,901)</u>
Total	<u>\$ 500,000</u>	<u>\$ 332,000</u>	<u>\$ (168,000)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 256,160	\$ 203,090	\$ 53,070
Special Revenue	61,779	36,170	25,609
Enterprise	<u>246,124</u>	<u>111,607</u>	<u>134,517</u>
Total	<u>\$ 564,063</u>	<u>\$ 350,867</u>	<u>\$ 213,196</u>

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 219,000	\$ 187,940	\$ (31,060)
Special Revenue	43,084	38,875	(4,209)
Enterprise	252,500	100,196	(152,304)
Total	\$ 514,584	\$ 327,011	\$ (187,573)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 277,600	\$ 205,587	\$ 72,013
Special Revenue	48,200	46,441	1,759
Enterprise	161,000	104,868	56,132
Total	\$ 486,800	\$ 356,896	\$ 129,904

The Village made expenditures in which funds were not certified contrary to Ohio Rev. Code Section 5705.41(D).

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 in 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.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Water Treatment Plant Mortgage Loan	\$ 293,105	6.04%
General Obligation Note - Truck	21,052	5.75%
Total	\$ 314,157	

The Water Treatment Plant Mortgage Loan relates to a water treatment plant expansion project. Principal and interest payments on the above debt are to be \$2,265 per month, with one final payment for the balance of the principal and interest due in the 60th month (May 2003) after completion of construction. The remaining principal balance may be renewed for subsequent five-year intervals, at the Bank's option, with the rate adjusted to the previous month's 5-year Treasury Rate in effect at the time of renewal. The Water Loan is collateralized by water and sewer receipts. The Village intends on refinancing the loan at the end of the 60 month period in 2003.

The General Obligation Note was for the purchase of a pick-up truck. Principal and interest payments on the above debt are to be \$444 per month, with the final payment due in June of 2005. The Note is collateralized by the pick-up truck.

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

Year ending December 31:	Water Plant Mortgage Loan	General Obligation Note
2001	\$ 27,180	\$ 5,333
2002	27,180	5,333
2003	280,495	5,333
2004		5,333
2005		2,604
Total	\$ 334,855	\$ 23,936

7. RETIREMENT SYSTEM

The Village's law enforcement officers belong to the Police and Firemen's Disability & Pension Funds (PFDPF). Other full-time 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.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

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

7. RETIREMENT SYSTEM (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, 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 through June 30, 2000. Effective July 1, 2000 the employers' contribution rate decreased to 8.13% of the participants' gross salaries. The Village has not paid all PFDPF contributions through December 31, 2000. Due to the lack of supporting documentation, management is unable to determine the amount that is unpaid at December 31, 2000.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- General liability and casualty
- Public officials' liability
- Vehicle

9. DEFICIT FUND BALANCES

At December 31, 2000 and December 31, 1999, the Village had a negative cash fund balance, as follows, contrary to the provision of Ohio Rev. Code Section 5705.10:

<u>Fund Type</u>	<u>Balance at December 31, 2000</u>	<u>Balance December 31, 1999</u>
General Fund	\$ (24,387)	\$ (5,567)

Due to the increasing deficit fund balance in the above mentioned General Fund, the Village may be facing a fiscal watch/fiscal emergency condition in fiscal year 2001. Through May 31, 2001, the Village reported an unaudited excess of receipts over disbursements of \$20,372, leaving an unaudited General Fund deficit of (\$3,655) at May 31, 2001. Management achieved this reduction in deficit primarily by reducing general operating expenses.



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

Village of Proctorville
Lawrence County
P.O. Box 406
Proctorville, Ohio 45669

To the Village Council Members:

We have audited the accompanying financial statements of the Village of Proctorville, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 26, 2001, wherein we noted the Village reported a General Fund deficit at December 31, 2000 and 1999. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2000-30744-001 through 2000-30744-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated June 26, 2001.

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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable conditions are described in the accompanying Schedule of Findings as items 2000-30744-004 through 2000-30744-006.

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. We believe the reportable conditions described above are material weaknesses.

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

Jim Petro
Auditor of State

June 26, 2001

**VILLAGE OF PROCTORVILLE
LAWRENCE 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 2000-30744-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from each fund was used to cover the expenses of another fund.

The General Fund had a negative cash balance of \$5,567 at December 31, 1999 and a negative cash balance of \$24,387 at December 31, 2000.

We recommend the Village Council not make any disbursements from any fund unless there are available funds to cover the expenditure.

FINDING NUMBER 2000-30744-002

Noncompliance Citation

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

Appropriations exceeded estimated revenue in 1999 in the General Fund by \$55,308. In 2000 appropriations exceeded estimated resources in the Street Construction, Maintenance and Repair Fund by \$13,428 and in the Water Fund by \$10,891. Also, the Village did not file the 1999 and 2000 appropriation measures with the County Auditor.

We recommend the Village limit the appropriations to the amounts of the estimated revenues. If revenues are expected to increase, the Village should request an amended certificate of estimated resources and approve appropriation adjustments. We further recommend the Village file each appropriation measure with the County Auditor.

FINDING NUMBER 2000-30744-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

FINDING NUMBER 2000-30744-003 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code § 5705.41(D) (Continued)

The following exception to this basic requirement is provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution of ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures of the taxing authority.

In 1999, 29% of the transactions tested and, in 2000, 19% of the transactions tested were not certified prior to the time the commitment was incurred.

We recommend the Village Clerk certify that the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing incurring obligations. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

FINDING NUMBER 2000-30744-004

Reportable Condition

Supporting Documentation

Testing of disbursements indicated that 17.5% of the vouchers selected did not include invoices as support of the disbursement and indication of receipt of goods or services rendered. In addition, purchase orders were not included with the vouchers. This could result in unauthorized disbursements as well as the inability to determine if all commitments have been properly encumbered.

We recommend that voucher packets be maintained for all of the disbursements of the Village. Voucher packets should include invoices, supporting documentation, and purchase orders.

VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

FINDING NUMBER 2000-30744-005

Reportable Condition

Monitoring Village Financial Activity

A review of the minutes of the meetings of the Village Council provided no indication of the Village Council's acceptance, review or approval of the monthly financial reports. As a result, there is no documentation of the Village Council's review of such information. It is important for the Village Council to closely monitor the Village's financial activity due to the small size of the staff and limited segregation of duties within the Village.

There is no documentation of the extent to which the Village Council uses financial information to monitor the financial activity of the Village. For each regular Village Council meeting, the Village Clerk should provide a detailed budget and financial statements, list of investments, cash balances, and checks paid.

The Village Council members should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village. This information can help answer questions such as the following:

Inquiries Relevant to Overall Village Operations:

- ✓ Are current receipts sufficient to cover expenditures?
- ✓ Are expenditures in line with prior year costs?
- ✓ If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- ✓ Are anticipated receipts being timely received?
- ✓ Is the Village maximizing its return on invested cash balances?
- ✓ Is the Village able to achieve the financial goals as set by the original or amended budgets

In order to effectively monitor the financial activity of the Village, we recommend the Village Council review and accept/approve the monthly financial information provided by the Village Clerk. The review of this information should be noted in the minutes of the meetings of the Village Council.

FINDING NUMBER 2000-30744-006

Reportable Condition

Annual Financial Report

The Annual Financial Reports for both years 1999 and 2000 did not agree to the Village accounting records such as revenue and disbursement ledgers. This could result in inaccurate reporting of the Village activity.

We recommend the Annual Financial Report agree to the Village's accounting records.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2000 AND 1999**

Finding Number	Planned Corrective Action	Anticipated Completion	Responsible Contact Person
2000-30744-001	The Village intends not to spend money from any fund unless there is cash to support the expenditure.	12/31/01	Darrell Legg, Clerk
2000-30744-002	The Clerk intends to limit the amount of appropriations to the estimated resources.	12/31/01	Darrell Legg, Clerk
2000-30744-003	The Clerk intends to certify funds to verify the availability of funds.	12/31/01	Darrell Legg, Clerk
2000-30744-004	The Clerk intends to attach documentation to all vouchers to support disbursements	12/31/01	Darrell Legg, Clerk
2000-30744-005	The Clerk intends to prepare financial statements and present them the Council monthly for their review and approval which will be noted in the minutes.	12/31/01	Darrell Legg, Clerk
2000-30744-006	The Clerk intends to prepare the Annual Financial Report using the Village accounting records.	12/31/01	Darrell Legg, Clerk

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-30744-001	Ohio Rev. Code Section 5705.39 - appropriations exceeded estimated resources	No	Not corrected. We have reviewed the prior year noncompliance and have added the current year's noncompliance.
1998-30744-002	Ohio Rev. Code Section 5705.41 (B) - expenditures exceeded appropriations	Partially Corrected	Amounts in the current audit period are not significant to the financial statements.
1998-30744-003	Ohio Rev. Code Section 5705.41 (D) - commitments not certified by the Clerk and/or encumbered until time of payment	No	Not corrected. We have reviewed the prior year noncompliance and have added the current year's noncompliance.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF PROCTORVILLE

LAWRENCE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2001**