



**VILLAGE OF SAINT MARTIN  
BROWN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF SAINT MARTIN  
BROWN COUNTY

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## INDEPENDENT ACCOUNTANTS' REPORT

Village of Saint Martin  
Brown County  
4824 Anderson State Road  
Lynchburg, Ohio 45142

To the Village Council:

We have audited the accompanying financial statements of the Village of Saint Martin, Brown 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 and reserves for encumbrances of the Village 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 July 20, 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 Saint Martin  
Brown County  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, of the 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

July 20, 2001

**VILLAGE OF SAINT MARTIN  
BROWN 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**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Local Taxes	\$682		\$682
Intergovernmental Receipts	6,207	1,049	7,256
Fines, Licenses, Permits	600		600
Earnings on Investments	223		223
Miscellaneous	418		418
	8,130	1,049	9,179
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	996		996
Public Health Services	301		301
General Government	3,651	461	4,112
	4,948	461	5,409
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	3,182	588	3,770
Fund Cash Balances, January 1	2,018	7,592	9,610
<b>Fund Cash Balances, December 31</b>	<b>\$5,200</b>	<b>\$8,180</b>	<b>\$13,380</b>
Reserves for Encumbrances, December 31	\$129	\$0	\$129

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

**VILLAGE OF SAINT MARTIN  
BROWN COUNTY**

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

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$26,716
Total Operating Cash Receipts	26,716
<b>Operating Cash Disbursements:</b>	
Contactual Services	17,018
Supplies and Materials	1,342
Total Operating Cash Disbursements	18,360
Operating Income/(Loss)	8,356
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	5,347
Total Non-Operating Cash Disbursements	5,347
Excess of Receipts Over/(Under) Disbursements	3,009
Fund Cash Balances, January 1	5
<b>Fund Cash Balances, December 31</b>	<b>\$3,014</b>
Reserve for Encumbrances, December 31	\$1,542

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



**VILLAGE OF SAINT MARTIN  
BROWN 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$685		\$685
Intergovernmental Receipts	3,350	1,211	4,561
Fines, Licenses, Permits	200		200
Earnings on Investments	184		184
Miscellaneous	236		236
	<u>4,655</u>	<u>1,211</u>	<u>5,866</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,080	16	1,096
Public Health Services	235		235
General Government	2,306	1,221	3,527
	<u>3,621</u>	<u>1,237</u>	<u>4,858</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>1,034</u>	<u>(26)</u>	<u>1,008</u>
Fund Cash Balances, January 1	<u>984</u>	<u>7,618</u>	<u>8,602</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,018</u></b>	<b><u>\$7,592</u></b>	<b><u>\$9,610</u></b>
Reserves for Encumbrances, December 31	<u>\$74</u>	<u>\$0</u>	<u>\$74</u>

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

**VILLAGE OF SAINT MARTIN  
BROWN COUNTY**

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

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$24,786
Total Operating Cash Receipts	24,786
<b>Operating Cash Disbursements:</b>	
Contactual Services	17,620
Supplies and Materials	1,480
Total Operating Cash Disbursements	19,100
Operating Income/(Loss)	5,686
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	4,825
Total Non-Operating Cash Disbursements	4,825
Excess of Receipts Over/(Under) Disbursements	861
Fund Cash Balances, January 1	(856)
<b>Fund Cash Balances, December 31</b>	<b>\$5</b>
Reserve for Encumbrances, December 31	\$2,436

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

**VILLAGE OF SAINT MARTIN  
BROWN 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 Saint Martin, Brown County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, 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 Deposits**

The Clerk deposits all available funds of the Village. During fiscal years 2000 and 1999, the Village's funds were deposited in a checking account with a local commercial bank and in Certificates of Deposit. The Certificates of Deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue 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.

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for maintaining and repairing Village highways.

**VILLAGE OF SAINT MARTIN  
BROWN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Funds:

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

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

**E. 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, 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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources. The Village certified incorrect amounts available for expenditures in each fund to the County Auditor for January 2000 and 2001.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting. However, a review was performed to determine the amount of additional encumbrances outstanding at year end which were not recorded. These additional encumbrances were added to the financial statements.

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 SAINT MARTIN  
BROWN COUNTY**

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

**2. EQUITY IN POOLED CASH AND DEPOSITS**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash and deposits at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$10,829	\$4,272
Certificates of deposit	<u>5,565</u>	<u>5,343</u>
Total deposits	<u><u>\$16,394</u></u>	<u><u>\$9,615</u></u>

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

**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	\$ 708	\$ 8,130	\$ 7,422
Special Revenue		1,049	1,049
Enterprise		<u>26,716</u>	<u>26,716</u>
Total	<u><u>\$ 708</u></u>	<u><u>\$ 35,895</u></u>	<u><u>\$ 35,187</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,354	\$ 5,077	\$ (723)
Special Revenue	300	461	(161)
Enterprise	<u>21,646</u>	<u>25,249</u>	<u>(3,603)</u>
Total	<u><u>\$ 26,300</u></u>	<u><u>\$ 30,787</u></u>	<u><u>\$ (4,487)</u></u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$	\$ 4,655	\$ 4,655
Special Revenue		1,211	1,211
Enterprise		<u>24,786</u>	<u>24,786</u>
Total	<u><u>\$ 0</u></u>	<u><u>\$ 30,652</u></u>	<u><u>\$ 30,652</u></u>

**VILLAGE OF SAINT MARTIN  
BROWN COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,358	\$ 3,695	\$ 663
Special Revenue	300	1,237	(937)
Enterprise	21,846	26,361	(4,515)
Total	\$ 26,504	\$ 31,293	\$ (4,789)

As of December 31, 2000, disbursements exceeded appropriations in the following funds: General Fund by \$723, Street Construction Fund by \$161, Sewer Fund by \$ 2,610, and Water Fund by \$993; and as of December 31, 1999, Street Construction Fund by \$937, Sewer Fund by \$1,587, and Water Fund by \$2,928.

Estimated receipts were not posted or filed with county auditor, therefore, appropriations exceeded estimated revenue for various funds in 2000 and 1999. As of December 31, 2000, appropriations exceeded certified resources in the following funds: General Fund by \$1,654, and Water Fund by \$20,555; and as of December 31, 1999, General Fund by \$3,504, Sewer Fund by \$1,093, and Water Fund by \$21,306.

**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. MATERIAL NONCOMPLIANCE**

Contrary to various Ohio Revised Code and Ohio Administrative Code sections, the Village:

Did not comply with various sections of budgetary law; maintain an appropriation ledger in a complete and accurate form; or maintain a receipts ledger in the proper format.

**VILLAGE OF SAINT MARTIN  
BROWN 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
Ohio Water Development Authority # 2131	\$ 5,039	7.21%
Ohio Water Development Authority # 0985	24,510	7.66%
Total	\$ 29,549	

The Ohio Water Development Authority (OWDA) loan proceeds were used to pay for the cost of improving the Village's water system. The loans are collateralized by water receipts. The Village has agreed to set water rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	OWDA Loan # 2131	OWDA Loan # 0985	Total
2001	\$2,282	\$2,804	\$5,086
2002	2,282	2,804	5,086
2003	1,141	2,804	3,945
2004	0	2,804	2,804
2005	0	2,804	2,804
Subsequent	0	28,046	28,046
Total	\$5,705	\$42,066	\$47,771

**7. RETIREMENT SYSTEMS**

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. 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.

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 10.84% for 2000 and 13.55% for 1999 of participants' gross salaries.

**8. RISK MANAGEMENT**

The Village has not obtained commercial insurance and the village officials are not bonded.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Saint Martin  
Brown County  
P.O. Box 158  
Highland, Ohio 45132

To the Village Council:

We have audited the accompanying financial statements of the Village of Saint Martin, Brown County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 20, 2001. 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 2000-30408-001 through 2000-30408-010. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 20, 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 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 judgment, 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. These reportable conditions are described in the accompanying schedule of findings as items 2000-30408-002 through 2000-30408-010.

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 over financial reporting that might be material weaknesses. We consider all the reportable conditions described above to be 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 July 20, 2001.

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

July 20, 2001

VILLAGE OF SAINT MARTIN  
BROWN 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 2000-30408-001

**Material Noncompliance - Negative Fund Balance**

**Ohio Rev. Code, Section 5705.10**, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The Water Fund had negative fund balances of \$1,030 at December 31, 1999 and \$2,232 at December 31, 2000. The deficit balances indicate that cash from other funds have been used to pay the obligations of this fund.

FINDING NUMBER 2000-30408-002

**Material Noncompliance/Material Weakness - Appropriation Amendments**

**Ohio Rev. Code, Section 5705.40**, provides that any appropriation measure may be amended or supplemented as long as the entity complies with same provisions of the law as are used in making the original appropriation. Our review indicated that appropriations were changed throughout the year in the Village's accounting system without Village Council's approval.

Approval of supplemental appropriations is not only required by the Ohio Revised Code, but are also key controls in the Village's accounting function. When appropriations posted to the accounting system have not been approved by Village Council monitoring expenditures versus appropriations is very difficult. This could and did result in expenditures being made in excess of appropriations. We recommend Village Council approve all supplemental appropriations.

FINDING NUMBER 2000-30408-003

**Material Noncompliance/Material Weakness - Certifying Tax Levies**

**Ohio Rev. Code, Section 5705.34**, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and certify the levies to the county auditor before October 1 each year. The Village did not authorize the necessary rates and certify them to the county auditor in a timely manner.

Failure to authorize the necessary rates and certify them to the county auditor before the required date could result in a delay in receiving funding from the county. The Village's management should take steps to ensure the necessary rates are authorized and certified to the county auditor by the required date.

FINDING NUMBER 2000-30408-004

**Material Noncompliance/Material Weakness - Certifying Total Sources Available for Expenditure**

**Ohio Rev. Code, Section 5705.36**, requires the Village to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year on or about the first day of each fiscal year. The Village did not file a Certificate of the Total Amount From All Sources Available for Expenditures, and Balances for 1999.

**FINDING NUMBER 2000-30408-004  
 (Continued)**

Failure to certify the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year could result in a delay of funding from the county.

We recommend the Village complete and submit to the county auditor on or about the first day of the fiscal year a Certificate of the Total Amount From All Sources Available for Expenditures, and Balances.

**FINDING NUMBER 2000-30408-005**

**Material Noncompliance/Material Weakness - Permanent Appropriations**

**Ohio Rev. Code, Section 5705.38**, requires the village to pass an appropriation measure on or about the first day of the fiscal year. No approval of appropriations for 1999 was documented in the minutes. In addition, the 1999 resolution was dated September 24, 1999. We recommend the Village adopt its appropriation measure on or about the first day of the fiscal year and document the budget adoption in its minutes.

**FINDING NUMBER 2000-30408-006**

**Material Noncompliance/Material Weakness - Estimated Revenue Versus Appropriations**

**Ohio Rev. Code, Section 5705.39**, states that total appropriations from each fund should not exceed the total estimated revenue. The Village's appropriations exceeded the estimated resources at December 31, 2000, in the General Fund by \$1,654 and in the Water Fund by \$20,555; and in December 31, 1999, in the General Fund by \$3,504, the Sewer Fund by \$1,093, and the Water Fund by \$21,306. Failure to monitor appropriations compared to estimated revenues could result and resulted in negative fund balances. We recommend the Village monitor appropriations to help ensure they are within estimated revenues.

**FINDING NUMBER 2000-30408-007**

**Material Noncompliance/Material Weakness - Appropriations Versus Expenditures**

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

Expenditures exceeded appropriations in the following funds as of December 31, 2000:

<b>Funds</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
General Fund	\$4,354	\$5,077	(\$723)
Street Construction Fund	300	461	(161)
Sewer Fund	960	3,570	(2,610)
Water Fund	20,686	21,679	(993)

**FINDING NUMBER 2000-30408-007**  
**(Continued)**

Expenditures exceeded appropriations in the following funds as of December 31, 1999:

<b>Funds</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
Street Construction Fund	300	1,237	(937)
Sewer Fund	960	2,547	(1,587)
Water Fund	20,886	23,814	(2,928)

Expending money when it has not been appropriated could cause the Village to make illegal expenditures. The Village should adopt procedures to ensure that no expenditures are made unless they have been properly appropriated.

**FINDING NUMBER 2000-30408-008**

**Material Noncompliance/Material Weakness - Prior Certification**

**Ohio Rev. Code, Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money 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 encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This Section also provides for two exceptions to the above requirement:

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

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments for 75% of the items tested. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FINDING NUMBER 2000-30408-009**

**Material Noncompliance/Material Weakness - Receipts and Expenditures**

**Ohio Rev. Code, Section 733.28**, requires the Village Clerk to keep the books of the Village, exhibit accurate statements of all moneys received and expended and maintain records of all the property owned by the Village and the income derived.

Accurate records were not maintained for all monies received and expended. A receipt ledger, appropriation ledger and cash journal were not properly maintained for 2000 and 1999.

This conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate and untimely accounting records.

We recommend:

- A. All entries should be posted in the cash journal in chronological order, reflecting month to date and year to dated totals;
- B. The receipt ledger should be reconciled to bank deposits on a monthly basis;
- C. The Village should utilize an appropriation ledger to properly track expenditures by account and also as a tool to monitor adherence to the adopted budget; and
- D. The cash journal should be reconciled to the appropriation ledger;

Implementation of these procedures will add a substantial measure of control to the receipting process, as well as provide assurance that the activity is properly handled and fairly presented on the Village's ledgers and financial reports.

**FINDING NUMBER 2000-30408-010**

**Material Noncompliance/Material Weakness - Uniform System of Accounting**

**Ohio Rev. Code, Section 117.43**, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform accounting system for Villages which is set forth in the Ohio Administrative Code Chapter 117-5. The Village did not comply in the following instances:

- A. **Ohio Administrative Code, Rule 117-5-07**, establishes guidelines for the proper coding and classification of Village receipts. The Village did not properly maintain a receipt ledger.
- B. **Ohio Administrative Code, Rule 117-5-09**, provides guidelines for the proper and complete maintenance of a Village cash journal. The Village did not properly maintain a cash journal.
- C. **Ohio Administrative Code, Rule 117-5-10**, requires that a Village post to each receipts account the estimated amount of money to be received into the account as specified by the County budget commission. It also provides that receipts shall be entered in the "Amount Received" column and in the "Credit" column and subtracted from the budget estimate amount ("Balance"). The Village did not maintain an accurate receipt ledger in accordance with these guidelines.

**FINDING NUMBER 2000-30408-010**  
**(Continued)**

- D. **Ohio Administrative Code, Rule 117-5-11**, requires the Village to maintain an appropriation ledger in a complete and accurate form as prescribed. The Village did not properly maintain an appropriation ledger.
- E. **Ohio Administrative Code, Rule 117-5-13**, provides that each Village must use purchase orders, as prescribed, for all expenditures. The Village did not properly use purchase orders.

Effective July 1, 2000 these Ohio Administrative Code Sections were replaced by Ohio Administrative Code Section 117-2-02 which provides for similar requirements.

To provide accurate and complete financial information for management to use in the decision making process, and to aid in the accurate classification of receipts and disbursements on the Village's annual financial report, we recommend the Village maintain receipt and appropriation ledgers as prescribed by the Ohio Administrative Code. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts should be posted by fund and line item, with a running balance maintained. At year-end, the totals from these ledgers should be carried forward to the annual financial report.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF SAINT MARTIN**

**BROWN 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 14, 2001**