



**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF COLLEGE CORNER
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of College Corner
Preble County
P.O. Box 462
College Corner, Ohio 45003

To the Village Council:

We have audited the accompanying financial statements of the Village of College Corner, Preble County, Ohio (the Village), as of and for the years ended December 31, 2001, and 2000. 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, 2001, and 2000, 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 29, 2002, 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, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 29, 2002

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$12,638	\$11,476		\$24,114
Intergovernmental Receipts	41,945	15,802	\$102,827	160,574
Charges for Services	230			230
Fines, Licenses, and Permits	53			53
Earnings on Investments	18,315	4,918		23,233
Miscellaneous	2,510			2,510
	<u>75,691</u>	<u>32,196</u>	<u>102,827</u>	<u>210,714</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	24,020	8,379		32,399
Public Health Services	218			218
Transportation	280	10,647		10,927
General Government	26,719	157		26,876
Capital Outlay	5,521	6,100	102,827	114,448
	<u>56,758</u>	<u>25,283</u>	<u>102,827</u>	<u>184,868</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	<u>18,933</u>	<u>6,913</u>	<u>0</u>	<u>25,846</u>
Fund Cash Balances, January 1	<u>134,975</u>	<u>79,230</u>	<u>0</u>	<u>214,205</u>
Fund Cash Balances, December 31	<u>\$153,908</u>	<u>\$86,143</u>	<u>\$0</u>	<u>\$240,051</u>
Reserves for Encumbrances, December 31	<u>\$85,262</u>	<u>\$1,310</u>	<u>\$0</u>	<u>\$86,572</u>

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

VILLAGE OF COLLEGE CORNER
PREBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$92,167
Interest	<u>1,872</u>
Total Operating Cash Receipts	<u>94,039</u>
Operating Cash Disbursements:	
Personal Services	11,050
Fringe Benefits	115
Contractual Services	9,095
Supplies and Materials	2,700
Miscellaneous	11,205
Capital Outlay	<u>40,689</u>
Total Operating Cash Disbursements	<u>74,854</u>
Operating Income	<u>19,185</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>19,750</u>
Total Non-Operating Cash Disbursements	<u>19,750</u>
Net Receipts (Under) Disbursements	(565)
Fund Cash Balances, January 1	<u>258,334</u>
Fund Cash Balances, December 31	<u><u>\$257,769</u></u>
Reserve for Encumbrances, December 31	<u><u>\$51,204</u></u>

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

**VILLAGE OF COLLEGE CORNER
PREBLE 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$13,889	\$12,623	\$26,512
Intergovernmental Receipts	45,727	16,287	62,014
Fines, Licenses, and Permits	957		957
Earnings on Investments	15,258	5,364	20,622
Miscellaneous	2,725		2,725
	<u>78,556</u>	<u>34,274</u>	<u>112,830</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	24,551	7,750	32,301
Public Health Services	362		362
Transportation	100	9,840	9,940
General Government	29,626	159	29,785
Capital Outlay	10,700	20,100	30,800
	<u>65,339</u>	<u>37,849</u>	<u>103,188</u>
Total Cash Disbursements			
	<u>65,339</u>	<u>37,849</u>	<u>103,188</u>
Total Receipts Over/(Under) Disbursements	<u>13,217</u>	<u>(3,575)</u>	<u>9,642</u>
Fund Cash Balances, January 1	<u>121,758</u>	<u>82,805</u>	<u>204,563</u>
Fund Cash Balances, December 31	<u>\$134,975</u>	<u>\$79,230</u>	<u>\$214,205</u>
Reserves for Encumbrances, December 31	<u>\$39,027</u>	<u>\$3,385</u>	<u>\$42,412</u>

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

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$88,836
Interest	3,121
	<u>91,957</u>
Operating Cash Disbursements:	
Personal Services	6,919
Fringe Benefits	108
Contractual Services	20,284
Supplies and Materials	2,265
Miscellaneous	14,075
Capital Outlay	75,689
	<u>119,340</u>
Total Operating Cash Disbursements	<u>119,340</u>
Operating (Loss)	<u>(27,383)</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>20,082</u>
Total Non-Operating Cash Disbursements	<u>20,082</u>
Net Receipts (Under) Disbursements	(47,465)
Fund Cash Balances, January 1	<u>305,799</u>
Fund Cash Balances, December 31	<u>\$258,334</u>
Reserve for Encumbrances, December 31	<u>\$4,004</u>

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

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of College Corner, Preble 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. The Village contracts with the Butler County Sheriff's department to provide security of persons and property. The Village contracts with the Village of West College Corner to provide fire protection 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

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 tax money for constructing, maintaining and repairing Village streets.

Fire Fund

This fund receives money from real estate and personal property taxes to provide for the protection of area citizens.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project 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 Project Fund:

Street Improvement Fund

This fund was used to account for street improvement monies spent by the Butler County Department of Development on the Village's behalf for the County's capital improvement program.

4. 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 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.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

A summary of 2001 and 2000 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.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2001	2000
Demand deposits	\$280,410	\$209,763
Certificates of deposit	217,410	262,776
Total deposits	\$497,820	\$472,539

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

The Village maintained its depository account and some certificates of deposit in a bank located in Indiana, which is not an eligible depository under Ohio law.

At December 31, 2001, \$119,633 of deposits were not insured or collateralized, contrary to Ohio law. At December 31, 2000, \$191,652 of deposits were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001, and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,660	\$75,691	\$26,031
Special Revenue	26,520	32,196	5,676
Capital Projects		102,827	102,827
Enterprise	98,000	94,039	(3,961)
Total	\$174,180	\$304,753	\$130,573

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$220,427	\$142,020	\$78,407
Special Revenue	105,135	26,593	78,542
Capital Projects		102,827	(102,827)
Enterprise	303,004	145,808	157,196
Total	<u>\$628,566</u>	<u>\$417,248</u>	<u>\$211,318</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,193	\$78,556	\$31,363
Special Revenue	24,300	34,274	9,974
Enterprise	88,000	91,957	3,957
Total	<u>\$159,493</u>	<u>\$204,787</u>	<u>\$45,294</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$169,077	\$104,366	\$64,711
Special Revenue	83,060	41,234	41,826
Enterprise	351,904	143,426	208,478
Total	<u>\$604,041</u>	<u>\$289,026</u>	<u>\$315,015</u>

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$11,838 for the year ended December 31, 2000. For the year ended December 31, 2001, appropriations exceeded estimated resources in the General Fund by \$35,792, the Street Fund by \$3,122, and the Water Fund by \$3,682.

The Village did not record or appropriate grant funds of \$102,827 received on their behalf through Butler County for the Capital Improvements Program during fiscal year 2001, which is contrary to Ohio Law.

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.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$11,369	2%
USDA Mortgage Revenue Bonds	92,000	5%
Total	\$103,369	

The Ohio Water Development Authority (OWDA) loan relates to a water plant expansion project. In 1992 the OWDA approved a \$70,000 loan to the Village for that project with the first payment due in 1994. The loan will be repaid in semiannual installments of \$3,891, including interest, over 10 years. The semi-annual payment due January 1, 2002, was paid on December 20, 2001.

The United States Department of Agriculture (USDA) mortgage revenue bonds were for the construction of sanitary sewers. In 1973 the USDA approved and the Village issued \$207,000 in mortgage revenue bonds for this project. The bonds are being repaid in annual installments of varying amounts, the minimum of \$10,450 and the maximum of \$11,600 including interest, over 40 years. The annual payment due January 1, 2002, was paid on December 6, 2001.

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

	OWDA Loan	Mortgage Revenue Bonds
Year ending December 31:		
2002	\$3,891	
2003	7,782	11,600
2004		11,250
2005		10,900
2006		11,550
2007 - 2011		54,600
2012 – 2013		21,500
Total	\$11,673	\$121,400

In addition to the debt described above, the Village has defeased a water works improvements bond issue from prior years. Debt principal outstanding at December 31, 2001 was \$9,000. Assets accumulated to retire this debt are held by a trustee, and are not included in the assets disclosed in Note 2.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

Some elected officials and one part-time employee 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 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. DEBT SERVICE TRUSTEED FUNDS

As disclosed in Note 5, the Village has also defeased a water works improvement bond issue. At December 31, 2001, the custodian held \$16,325 in Village assets to retire this debt.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Village of College Corner
Preble County
P.O. Box 462
College Corner, Ohio 45003

To the Village Council:

We have audited the accompanying financial statements of the Village of College Corner, Preble County, Ohio (the Village), as of and for the years ended December 31, 2001, and 2000, and have issued our report thereon dated July 29, 2002. 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 2001-30368-001 through 2001-30368-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 29, 2002.

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 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. A reportable condition is described in the accompanying schedule of findings as item 2001-30368-004.

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

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 29, 2002.

This report is intended solely 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.

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

Jim Petro
Auditor of State

July 29, 2002

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30368-001

Compliance

Ohio Rev. Code, Section 135.03, stipulates any bank located in this state and any bank as defined by Section 1101.1 of the Rev. Code, subject to inspection by the superintendent of financial institutions, is eligible to become a public depository.

The Village maintains its checking accounts and some certificates of deposits at a bank located in Indiana. Hence, it is not an eligible depository. Banks located in the state of Indiana are not subject to the Ohio Rev. Code and therefore do not provide pledged collateral for deposits greater than \$100,000. We recommend the Village bank with eligible banks.

FINDING NUMBER 2001-30368-002

Compliance

Ohio Rev. Code, Section 135.18, specifies that the Clerk/Treasurer shall require public depositories to pledge to and deposit with the village, as a security for the repayment of all public moneys to be deposited in the public depository during the period of designation, eligible securities of aggregate market value equal to the excess of the amount of public moneys deposited over and above such portion or amount as is time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government.

As of December 31, 2000, \$191,652 and as of December 31, 2001, \$119,633 on deposit with public depositories was not collateralized by eligible securities. This was pervasive throughout the audit period. These deposits were located in a bank in the state of Indiana, which does not follow Ohio Rev. Code Section 135.18.

Should the bank in Indiana fail, the Village may run the risk of losing any funds not covered by the Federal Deposit Insurance Act. We recommend the Village implement procedures to adequately collateralize all deposits.

FINDING NUMBER 2001-30368-003

Compliance

Ohio Rev. Code, Section 5705.39, requires that the total appropriation from each fund should not exceed the official or amended estimate of resources. In 2000 appropriations exceeded the total estimate of resources for the Water Fund by \$11,838. In 2001 appropriations exceeded the total estimate of resources for the General Fund by \$35,792, the Street Fund by \$3,122, and the Water Fund by \$3,682.

**FINDING NUMBER 2001-30368-003
 (Continued)**

2000

Fund	Appropriations	Estimated Resources	Variance
Water	\$256,000	\$244,162	(\$11,838)

2001

Fund	Appropriations	Estimated Resources	Variance
General	\$181,400	\$145,608	(\$35,792)
Street	43,100	39,978	(3,122)
Water	235,500	231,818	(3,682)

Failure to properly monitor appropriations and estimated resources could result in overspending of funds and negative fund cash balances. The Village should adopt procedures to monitor that the total appropriations from each fund do not exceed the official or amended estimate of resources.

FINDING NUMBER 2001-30368-004

Compliance/Reportable Condition

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 requirements:

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

Sixty-two percent of expenditures tested for the audit period were not properly certified and did not meet one of the two exceptions above. We could not determine if 23% of additional expenditures were properly certified because (1) the invoice was not dated, or (2) the invoice was missing.

Failure to certify the availability of funds and properly encumber expenditures can result in overspending funds and negative cash fund balances.

We recommend the Village properly utilize the encumbrance method of accounting by obtaining approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. All original invoices should be maintained.

FINDING NUMBER 2001-30368-005

Compliance

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to recording the appropriations, Ohio Rev. Code, Section 5705.40, requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Capital Improvements Program (CIP) disbursed on behalf of the Village through the Butler County Community Development program, nor was the grant money included in the appropriations by the Village Council for fiscal year 2001. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$102,827 for the year ended December 31, 2001. We recommend the Village follow the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants.

This page intentionally left blank.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 and 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30368-001	Revised Code 135.03, ineligible depository	No	Reissued as Finding 2001-30368-1
1999-30368-002	Revised Code 135.18, deposits not collateralized	No	Reissued as Finding 2001-30368-2
1999-30368-003	Revised Code 5705.41(D), failure to properly certify funds	No	Reissued as Finding 2001-30368-4



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF COLLEGE CORNER

PREBLE 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 20, 2002**