



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CROWN CITY
GALLIA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Crown City
Gallia County
P.O. Box 316
Crown City, Ohio 45623

To the Village Council:

We have audited the accompanying financial statements of the Village of Crown City, Gallia 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 of Crown City, Gallia County, 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 June 24, 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 Board of Trustees 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 fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 24, 2002

VILLAGE OF CROWN CITY
GALLIA 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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$920	\$5,597	\$ 10,000	\$6,517
Intergovernmental	70,088	8,625		88,713
Charges for Services	900	1,350		2,250
Fines, Forfeitures, and Penalties	70			70
Earnings on Investments	1,035	1,396		2,431
Other Revenue	4,083	8,400		12,483
Total Cash Receipts	77,096	25,368	10,000	112,464
Cash Disbursements:				
Current:				
Security of Persons and Property	24,758	5,980		30,738
Public Works		2,575		2,575
Leisure Time Activities		303		303
Basic Utility Services	3,482			3,482
Transportation	53	10,491		10,544
General Government	37,534			37,534
Debt Service:				
Redemption of Principal	3,616			3,616
Interest and Fiscal Charges	3,780			3,780
Capital Outlay			12,500	12,500
Total Cash Disbursements	73,223	19,349	12,500	105,072
Total Cash Receipts Over/(Under) Cash Disbursements	3,873	6,019	(2,500)	7,392
Fund Cash Balances, January 1	60,226	58,317	4,000	122,543
Fund Cash Balances, December 31	\$64,099	\$64,336	\$1,500	\$129,935
Reserve for Encumbrances, December 31	\$430	\$6	\$0	\$436

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

VILLAGE OF CROWN CITY
GALLIA 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>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$912	\$4,556	\$ 10,000	\$5,468
Intergovernmental	69,302	18,253		97,555
Charges for Services	767	1,070		1,837
Fines, Forfeitures, and Penalties	262			262
Earnings on Investments	1,156	564		1,720
Other Revenue	7,897	7,292		15,189
Total Cash Receipts	80,296	31,735	10,000	122,031
Cash Disbursements:				
Current:				
Security of Persons and Property	25,377	15,312		40,689
Public Works		3,073		3,073
Leisure Time Activities		145		145
Basic Utility Services	7,995	120		8,115
Transportation	1,000	4,631		5,631
General Government	34,750	732		35,482
Debt Service:				
Redemption of Principal	3,465			3,465
Interest and Fiscal Charges	3,931			3,931
Capital Outlay	120		6,000	6,120
Total Cash Disbursements	76,638	24,013	6,000	106,651
Total Cash Receipts Over/(Under) Cash Disbursements	3,658	7,722	4,000	15,380
Other Financing Sources:				
Transfers-In	3,003			3,003
Transfers-Out		(3,003)		(3,003)
Total Other Financing Sources	3,003	(3,003)		-
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	6,661	4,719	4,000	15,380
Fund Cash Balances, January 1	53,565	53,598		107,163
Fund Cash Balances, December 31	\$60,226	\$58,317	\$4,000	\$122,543

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

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Crown City, Gallia 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, park operations (leisure time activities), maintenance of streets, police and fire protection services and general Village maintenance. The Village contracts with the Lawrence County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The certificate of deposit is 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 Department Fund - This fund receives tax monies assessed and levied on general assessed valuation of real and personal property taxes for the operation of the fire department.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

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

Sewer Fund – This fund receives intergovernmental funding to support the waste water sewer treatment plant construction project.

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 Village 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

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

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:

	2001	2000
Demand deposits	\$ 117,991	\$ 111,843
Certificate of deposit	11,944	10,700
Total deposits	\$ 129,935	\$ 122,543

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution with specific collateral.

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	\$76,930	\$77,096	\$166
Special Revenue	20,700	25,368	4,668
Capital Projects		10,000	10,000
Total	\$97,630	\$112,464	\$14,834

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,501	\$73,653	\$10,848
Special Revenue	44,465	19,355	25,110
Capital Projects	4,000	12,500	(8,500)
Total	\$132,966	\$105,508	\$27,458

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,891	\$83,299	\$10,408
Special Revenue	23,000	31,735	8,735
Capital Projects		10,000	10,000
Total	\$95,891	\$125,034	\$29,143

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,145	\$76,638	\$49,507
Special Revenue	64,882	27,016	37,866
Capital Projects	6,000	6,000	0
Total	\$197,027	\$109,654	\$87,373

Contrary to Ohio law, expenditure of money was not certified prior to the commitment being incurred.

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.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Acquisition Bond (Fire Dept.)	\$ 89,577	4.00%
Total	<u>\$ 89,577</u>	

The Building Acquisition Bond relates to the building purchased for the Fire Department. A bond agreement was signed with the Ohio Valley Bank for \$100,000 at 4% interest due in annual installments over the next twenty years. The first payment was made November 1, 1999. The Building Acquisition Bond is collateralized by the Village's taxing authority.

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

	<u>Building Acquisition Bonds</u>
Year ending December 31:	
2002	\$ 7,396
2003	7,396
2004	7,396
2005	7,396
2006	7,396
Subsequent	88,752
Total	<u>\$ 125,732</u>

6. RETIREMENT SYSTEMS

The Village's elected officials 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 gross salaries. 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.

VILLAGE OF CROWN CITY
GALLIA COUNTY

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

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31, 2000 and 1999 (the latest information available):

	<u>2000</u>	<u>1999</u>
Assets	\$2,958,827	\$4,151,450
Liabilities	<u>3,863,373</u>	<u>3,461,914</u>
Retained (deficit) earnings	<u>(\$904,546)</u>	<u>\$689,536</u>

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Village of Crown City
Gallia County
P.O. Box 316
Crown City, Ohio 45623

To the Village Council:

We have audited the accompanying financial statements of the Village of Crown City, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 24, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-30727-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 24, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 24, 2002.

Village of Crown City
Gallia County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 24, 2002

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30727-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This Section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If the fiscal officer can certify that both 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 or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of Council.

In 2000, 70% of the transactions tested, and in 2001, 50% of the transactions tested, were not certified prior to the time the commitment was incurred. Further, then and now certificates were not utilized by the Village. By not certifying funds prior to a purchase commitment, this may lead to the Village obligating money it does not have.

We recommend the Village not expend funds without obtaining the fiscal officer's certificate prior to an obligation being incurred.

**VILLAGE OF CROWN CITY
GALLIA 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>
1999-30727-001	Ohio Rev. Code Section 5705.41 (B) – Expenditures were made prior to money being appropriated.	No.	Amounts were not significant in current period. Management letter comment issued.
1999-30727-002	Ohio Rev. Code Section 5705.41 (D) – Liabilities were not certified or encumbered until the time of payment.	No.	No corrective action taken. We have reviewed the prior year noncompliance and have added the current year's noncompliance.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2001 AND 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-30727-001	The Clerk intends to certify funds prior to commitments being made.	December 31, 2002	Lana Lane, Clerk



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF CROWN CITY

GALLIA 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 6, 2002**