



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

---

**STATE OF OHIO**



VILLAGE OF FLUSHING  
BELMONT COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
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 - All Proprietary Fund Types - 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 - All Proprietary Fund Types - 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> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings .....	23

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Flushing  
Belmont County  
212 High Street  
Flushing, Ohio 43977

To the Village Council:

We have audited the accompanying financial statements of the Village of Flushing, Belmont 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.

We were unable to determine the completeness of charges for services recorded in the Enterprise Fund Type. These utility revenues represent 100 percent of revenues of the Enterprise Fund Type for the years ended December 31, 2001 and 2000.

We were unable to determine the accuracy of the classification of expenditures in the Enterprise Fund Type, except the debt service classification, for the year ended December 31, 2001, and the General Fund and Enterprise Fund Type expenditures, except the debt service classification, for the year ended December 31, 2000. These expenditures represent 70 percent of expenditures for the Enterprise Fund Type for the year ended December 31, 2001, and 100 percent and 66 percent for the General Fund and Enterprise Fund Type for the year ended December 31, 2000, respectively.

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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting the completeness and accuracy of utility revenues and the classification of expenditures, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Flushing, Belmont 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 November 27, 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

November 27, 2002

**VILLAGE OF FLUSHING  
BELMONT 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>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$14,561	\$70,173	\$	\$84,734
Intergovernmental Receipts	62,883	55,160	113,947	231,990
Charges for Services		6,500		6,500
Fines, Licenses, and Permits	20			20
Earnings on Investments	25,893	135		26,028
Miscellaneous	20,244	1,370		21,614
	<u>123,601</u>	<u>133,338</u>	<u>113,947</u>	<u>370,886</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	35,693	97,660		133,353
Public Health Services	2,267			2,267
Leisure Time Activities	1,000	8,509		9,509
Basic Utility Services	774			774
Transportation		48,369		48,369
General Government	110,943	5,156		116,099
Debt Service:				
Principal Payments		19,820		19,820
Interest Payments		13,579		13,579
Capital Outlay		49,161	122,818	171,979
	<u>150,677</u>	<u>242,254</u>	<u>122,818</u>	<u>515,749</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(27,076)</u>	<u>(108,916)</u>	<u>(8,871)</u>	<u>(144,863)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Bonds or Notes		50,134		50,134
Other Sources		20,250		20,250
Other Uses		(28,109)	(1,050)	(29,159)
		<u>42,275</u>	<u>(1,050)</u>	<u>41,225</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(27,076)</u>	<u>(66,641)</u>	<u>(9,921)</u>	<u>(103,638)</u>
<b>Fund Cash Balances, January 1</b>	<u>51,713</u>	<u>105,876</u>	<u>20,201</u>	<u>177,790</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$24,637</b></u>	<u><b>\$39,235</b></u>	<u><b>\$10,280</b></u>	<u><b>\$74,152</b></u>

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

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$311,518
Total Operating Cash Receipts	311,518
<b>Operating Cash Disbursements:</b>	
Personal Services	43,174
Contractual Services	12,524
Supplies and Materials	67,720
Capital Outlay	76,648
Total Operating Cash Disbursements	200,066
Operating Income/(Loss)	111,452
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	87,381
Total Non-Operating Cash Disbursements	87,381
Net Receipts Over/(Under) Disbursements	24,071
Fund Cash Balances, January 1	387,965
<b>Fund Cash Balances, December 31</b>	<b>\$412,036</b>

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

**VILLAGE OF FLUSHING  
BELMONT 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$14,027	\$42,648	\$	\$56,675
Intergovernmental Receipts	59,994	48,243	34,669	142,906
Charges for Services		2,450		2,450
Earnings on Investments	26,367	28		26,395
Miscellaneous	9,673	1,760	700	12,133
	<u>110,061</u>	<u>95,129</u>	<u>35,369</u>	<u>240,559</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	33,544	17,641		51,185
Public Health Services	2,115			2,115
Leisure Time Activities	719	6,257		6,976
Transportation	366	37,987		38,353
General Government	86,310	919		87,229
Debt Service:				
Principal Payments		4,563		4,563
Interest Payments		6,925		6,925
Capital Outlay	15,226		15,518	30,744
	<u>138,280</u>	<u>74,292</u>	<u>15,518</u>	<u>228,090</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(28,219)</u>	<u>20,837</u>	<u>19,851</u>	<u>12,469</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Bonds or Notes		11,351		11,351
Other Sources		23,000		23,000
Other Uses		(69)		(69)
		<u>34,282</u>		<u>34,282</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(28,219)</u>	<u>55,119</u>	<u>19,851</u>	<u>46,751</u>
<b>Fund Cash Balances, January 1 Restated (Note 3)</b>	<u>79,932</u>	<u>50,757</u>	<u>350</u>	<u>131,039</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$51,713</b></u>	<u><b>\$105,876</b></u>	<u><b>\$20,201</b></u>	<u><b>\$177,790</b></u>

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

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$318,012
Total Operating Cash Receipts	318,012
<b>Operating Cash Disbursements:</b>	
Personal Services	38,606
Contractual Services	79,192
Supplies and Materials	42,564
Capital Outlay	6,080
Total Operating Cash Disbursements	166,442
Operating Income/(Loss)	151,570
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	85,663
Total Non-Operating Cash Disbursements	85,663
Net Receipts Over/(Under) Disbursements	65,907
Fund Cash Balances, January 1	322,058
<b>Fund Cash Balances, December 31</b>	<b>\$387,965</b>

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

**VILLAGE OF FLUSHING  
BELMONT 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 Flushing, Belmont 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 water and sewer utilities, park operations (leisure time activities), and police services (security of persons and property). The Village contracts with the Flushing Volunteer Fire Department to provide fire protection services (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**

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.

Police Levy – This fund receives tax levy monies to pay for the Village's police officers.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Cruiser Fund – This fund receives a portion of the Belmont County local government distribution money restricted by the County Auditor for a police cruiser or equipment.

**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 Funds:

Industrial Park Fund – This fund receives proceeds of other public debt. The proceeds are being used to plan the development of the Village industrial park.

Ohio Water Development Authority (OWDA) Fund – This fund receives grant monies from the Ohio Water Development Authority and the Ohio Public Works Commission for water and sewer line projects.

**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.

Water Capital Improvement Fund – This fund receives charges for services from residents to cover the cost of construction and repair of facilities relating to this utility.

Sewer Capital Improvement Fund - This fund receives charges for services from residents to cover the cost of construction and repair of facilities relating to 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. Appropriations lapse at year end.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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. The Village did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 4.

**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.

**G. Accumulated Leave**

Current legislation does not allow employees to carry over leave balances to subsequent years. Employees with sick leave accumulated under prior legislation are eligible for cash payments in certain circumstances, such as leaving employment. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**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 and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$244,230	\$333,829
Certificates of deposit	241,958	231,926
Total deposits	\$486,188	\$565,755

**Deposits:** Deposits are either insured by the (1) Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2001 and 2000, \$1,675 and \$90,169, respectively, of deposits were not insured or collateralized, contrary to Ohio law.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

**3. RESTATEMENT OF FUND BALANCE**

For 1999 and 1998, the Village of Flushing Community Improvement Corporation (CIC) was presented as a discretely presented component unit on the Village's financial statements. The Village Council and CIC Board agreed to have the CIC financial activity become a part of the Village, as the Village provides significant funding to the CIC. For 2001 and 2000, the CIC is reported as a Special Revenue Fund on the Village's books.

This change had the following effects on fund balance at December 31, 1999:

	<u>Special Revenue</u>	<u>Component Unit</u>
Fund Balance at December 31, 1999	\$50,125	\$632
Reclassify Component Unit as a Special Revenue Fund	<u>632</u>	<u>(632)</u>
Restated Fund Balance at December 31, 1999	<u>\$50,757</u>	<u>\$0</u>

**4. BUDGETARY ACTIVITY**

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

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$110,000	\$123,601	\$13,601
Special Revenue	133,645	142,403	8,758
Capital Projects	0	113,947	113,947
Enterprise	300,000	311,518	11,518
Total	<u>\$543,645</u>	<u>\$691,469</u>	<u>\$147,824</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$159,900	\$150,677	\$9,223
Special Revenue	222,921	209,859	13,062
Capital Projects	20,201	123,868	(103,667)
Enterprise	387,000	287,447	99,553
Total	<u>\$790,022</u>	<u>\$771,851</u>	<u>\$18,171</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$142,408	\$110,061	(\$32,347)
Special Revenue	73,275	115,651	42,376
Capital Projects	0	35,369	35,369
Enterprise	277,200	318,012	40,812
Total	<u>\$492,883</u>	<u>\$579,093</u>	<u>\$86,210</u>

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

**4. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$157,850	\$138,280	\$19,570
Special Revenue	97,181	62,389	34,792
Capital Projects	0	15,518	(15,518)
Enterprise	460,314	252,105	208,209
Total	\$715,345	\$468,292	\$247,053

The activity of the Village of Flushing Community Improvement Corporation (CIC) Fund, which is a Special Revenue Fund, was not presented in the above budgetary presentation. The CIC was originally reflected as a discretely presented component unit in 1999 and 1998 (see Note 3). As a component unit, they were not legally required to adopt a budget. The CIC Fund will be a part of the Village's budget as of January 1, 2002. The CIC fund had revenues of \$61,319 and \$13,829 and expenditures of \$60,504 and \$11,972 for the years ended December 31, 2001 and 2000, respectively.

Contrary to Ohio law, the Village incurred expenditures in excess of appropriations for several funds at December 31, 2001 and 2000.

**5. 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.

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 FLUSHING  
BELMONT COUNTY**

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

**6. DEBT**

Debt outstanding at December 31, 2001, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$1,114,040	2-2.2%
Promissory Note-Dump Truck	12,565	5.75%
Business Note	124,256	5.79%
Promissory Note - Line of Credit	69,482	6.90%
Total	<u>\$1,320,343</u>	

The Ohio Water Development Authority (OWDA) loans relate to upgrades to the Village's water and sewer plant necessary to comply with the Ohio Environmental Protection Agency regulations. The loans will be repaid in semiannual installments, including interest, over 19 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

During 2001, the Village issued a promissory note in the amount of \$16,000 through their local banking institution. The promissory note was issued to finance the purchase of a 1994 Ford F-350 1 ton dump truck. This note is collateralized by the Village's taxing authority.

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

	<u>OWDA Loan</u>	<u>Promissory Note-Dump Truck</u>
Year ending December 31:		
2002	\$86,872	\$11,166
2003	86,894	1,861
2004	86,916	
2005	86,938	
2006	86,961	
2007 – 2011	435,164	
2012 – 2016	271,273	
2017 – 2021	169,744	
Total	<u>\$1,310,762</u>	<u>\$13,027</u>

In 1999, the Village issued a business note in the amount of \$140,000 through their local banking institution and also the Village was approved for a line of credit up to \$195,000 through their local banking institution. As of December 31, 2001 the Village had used \$69,482 of the line of credit. The business note and the line of credit were issued to facilitate the development of an industrial park within the Village corporation limits. Certain Village property and five certificates of deposit have been pledged as collateral to secure the business note and the line of credit.

The business note was issued for a period of 15 years and principal and interest payments are payable monthly. During 2001, the Village made no principal and interest payments. All payments due on this loan during 2001 were borrowed against the line of credit in the amount of \$14,738. During 2000, the Village made principal and interest payments on this loan in the amount of \$3,659. The remainder of the payments due on this loan during 2000 were borrowed against the line of credit in the amount of \$10,686.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

**6. DEBT (Continued)**

The line of credit is payable on demand by the banking institution. In addition, the Village is required to pay monthly payments of all accrued unpaid interest due as of each payment date. During 2001, the Village made principal and interest payments in the amount of \$14,464. The remainder of the interest payments due on this loan during 2001 were borrowed against the line of credit in the amount of \$585. During 2000, the Village made principal and interest payments in the amount of \$2,070. The remainder of the interest payments due on this loan during 2000 were borrowed against the line of credit in the amount of \$665.

**7. OUTSTANDING LOANS RECEIVABLE**

During 1999, the Village loaned MIH Marketing Corporation (MIH) \$30,000 for start up costs of their business. MIH was a prospective tenant of the Village's industrial park. The loan was issued at a rate of 10.5% and was to be repaid in 35 monthly installments. As of the date of this report, MIH has paid \$29,000 in principal and interest on this loan.

During 2001, the Village loaned Flushing Wood Works \$18,000 for start up costs of their business. Flushing Wood Works is a prospective tenant of the Village's industrial park. The loan was issued at a rate of 8.5% and is to be repaid in 60 monthly installments. As of the date of this report, Flushing Wood Works has paid \$7,650 in principal and interest on this loan.

**8. RETIREMENT SYSTEMS**

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 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 January 1 through June 30, 2000, and for 2001. 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.

**9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance coverage to full-time employees through a private carrier.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

**10. 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**

**JIM PETRO, AUDITOR OF STATE**

743 East State Street  
Athens Mall Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

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

Village of Flushing  
Belmont County  
212 High Street  
Flushing, Ohio 43977

To the Village Council:

We have audited the accompanying financial statements of the Village of Flushing, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated November 27, 2002, wherein we noted we were unable to satisfy ourselves as to the completeness of enterprise fund receipts. We were also unable to determine the accuracy of the classification of certain expenditures in the enterprise fund for 2001 and we were unable to determine the accuracy of the classification of expenditures in the General Fund and certain expenditures in the enterprise fund for 2000. 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 2001-31007-001 thru 2001-31007-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 27, 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 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-31007-005 thru 2001-31007-009.

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 reportable condition 2001-31007-005 described above is 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 November 27, 2002.

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.

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

**Jim Petro**  
Auditor of State

November 27, 2002

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2001-31007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 135.18 states that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

At December 31, 2001 and 2000, the deposits in the bank exceeded pledged collateral and FDIC coverage provided by \$1,675 and \$90,169, respectively.

We recommend the Clerk/Treasurer obtain copies of collateral amounts pledged by the bank, at least quarterly, and monitor the checking and investment balances to ensure adequate collateral is maintained.

**FINDING NUMBER 2001-31007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 733.28 states in part that the Village Clerk/Treasurer shall keep the books of the Village, and exhibit accurate statements of all monies received and expended. In addition, the Auditor of State provided, through Auditor of State (AOS) Bulletin 2000-008, the recommended accounting treatment for on-behalf of grants or loans, including Ohio Public Works Commission funds.

During 2001, the Village did not record Ohio Public Works Commission grant transactions on their accounting records or financial statements in the amount of \$104,171. During 2000, the Village did not record Ohio Public Works Commission grant transactions on their accounting records or financial statements in the amount of \$15,518. This activity was adjusted and is reflected in the accompanying financial statements.

We recommend the Village refer to AOS Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all Ohio Public Works Commission funds expended directly to contractors on behalf of the Village.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2001-31007-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

Fund expenditures exceeded total appropriations by the following amounts:

<b>2001</b>	
Street Construction, Maintenance and Repair	\$ 6,869
Police Levy	3,322
Park Levy	509
Fire I	932
Fire III	1,461
Fire IV	1,463
Cruiser	47,623
OWDA	103,667
Sewer Capital	16,670

<b>2000</b>	
Police Levy	\$ 211
OWDA	15,518
Water Operating	9,865

Some of these variances resulted from posting audit adjustments necessary to agree legislatively approved amounts to Village ledgers.

We recommend the Clerk/Treasurer post appropriations as approved by Village Council to their ledgers.

**FINDING NUMBER 2001-31007-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states that no orders 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 FLUSHING  
BELMONT COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2001-31007-004 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code Section 5705.41(D) (Continued)**

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any 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. 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 by the taxing authority.

The Clerk/Treasurer's prior certification of available funds was not obtained for all of the transactions tested and there was no evidence of a "Then and Now" certificate being used by the Clerk/Treasurer.

In addition, Village expenditures would not have exceeded appropriations if the Clerk/Treasurer had complied with this certification requirement. (See Finding Number 2001-31007-003)

We recommend the Village obtain the Clerk/Treasurer's prior certification of available funds for all disbursements.

**FINDING NUMBER 2001-31007-005**

**Material Weakness**

Ohio Admin. Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code Section 117-2-02(D) states in part that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

Receipts ledger typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger;

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**FINDING NUMBER 2001-31007-005 (Continued)**

**Material Weakness (Continued)**

Ohio Admin. Code Section 117-2-02(A) (Continued)

Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns;

Payroll journal that records, assembles and classifies by pay period the employee name, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;

Information by employee, regarding leave balances and usage;

Utility records including: Master file of service address, account numbers, billing address, type of services provided, and billing rates; and

Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount.

In 2000, the Village did not maintain Receipts or Appropriation ledgers. In 2001, although the Village maintained Receipts and Appropriation ledgers, during our testing we found that these ledgers did not always agree to the Cash Book or Financial Statements. In 2000 and 2001, the Village did not regularly maintain a Payroll journal with the appropriate information and no leave records were maintained. Also in 2000 and 2001, the Village did not maintain a master list of utility customers or an accounts receivable ledger documenting payments made were applied to customers' accounts.

We recommend the Village maintain a Receipts ledger, Appropriation ledger, Payroll journal, leave usage and accrual records, utility master list, and Accounts receivable ledger in accordance with the guidelines set forth in the Ohio Administrative Code.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**FINDING NUMBER 2001-31007-006**

**Reportable Conditions - Loan Payments**

The Village initiated a line-of-credit loan on behalf of the Flushing Community Improvement Corporation (the CIC). A portion of this line-of-credit was subsequently loaned to MIH Marketing Corporation, by promissory note, to assist in the company's start-up and locating their business in the Flushing Industrial Park. The interest rate on the promissory note was greater than the interest rate charged by the lending institution, which was designed to cover financing costs without further burden to Village taxpayers. When the MIH Marketing Corporation did not locate their business in the Flushing Industrial Park, the CIC requested accelerated repayment terms. The MIH Company made several large loan payments to the Village during the year ended December 31, 2000. These payments were posted to the Village's financial records and deposited into their corporate checking account, where they remained through December 31, 2000. \$10,000 of the loan repayments was distributed to the CIC and the remaining \$13,000 received was still on deposit in the corporate checking account at December 31, 2001.

Not applying the loan repayments received from MIH Marketing Corporation directly against the Village's outstanding line-of-credit, increased the amount of interest cost incurred by the Village.

We recommend all payments received on outstanding loans provided by the Village to prospective industrial park tenants, be applied directly against the related outstanding debt of the Village.

**FINDING NUMBER 2001-31007-007**

**Reportable Condition - Loan Receivable Balance Calculation**

On March 4, 1999, The Village of Flushing, as the lender, entered into a \$30,000 Promissory Note with the owners of MIH Marketing Corporation, as the borrowers. The note had a stated maturity date of March 3, 2002, monthly payments to begin on April 3, 1999, interest rate of 10.50%, 35 monthly payments of \$977.33 and a last payment estimated at \$977.40. MIH Marketing Corporation's first payment was received on April 10, 2000, and subsequent payments were received during 2000 and 2001, totaling \$29,000. As of December 31, 2001, no calculation had been made to apportion payments made by MIH Marketing Corporation between loan principal and interest and the outstanding loans receivable principal balance has not been determined by the Village. This condition could result in the Village not accurately charging MIH Marketing Corporation for all amounts due per the loan agreement.

The Village should review their letter dated July 23, 2000, which was sent to the owners of MIH Marketing Corporation, as the borrowers, wherein the total loan principal and interest due as of August 15, 2000, was determined. We recommend the Village use the balance due on this letter as the new loan balance. Calculations should be performed to apportion payments made subsequent to this letter between principal and interest to derive a new outstanding loans receivable balance.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2001-31007-008**

**Reportable Condition - Receipt Classifications and Posting**

Several receipts were not posted into accurate revenue classifications based on the source of the receipt. As a result, several reclassifying entries were proposed to reflect these revenues into the correct classifications. This situation could also result in inaccurate financial information being distributed to Village officials and/or grantor agencies.

We recommend the Village Clerk/Treasurer consult the Village Handbook and/or the Uniform Accounting Network Accounting Manual when monies are received, to help ensure these receipts are posted to the appropriate receipt classification and accurate financial statements are prepared.

**FINDING NUMBER 2001-31007-009**

**Reportable Condition - Budgetary Financial Statements**

Budgeted receipt and expenditure amounts posted to Village ledgers did not agree to source documents, such as the Certificate of Estimated Resources and the Appropriations Resolution. The budgetary disclosures in Note 4 present amounts adopted by the Village Council.

As a result, information available for Village officials to monitor year-to-date total comparisons of estimated resources versus actual receipts and appropriations versus expenditures was not accurate.

We recommend estimated resources, appropriations, and any amendments thereto be posted to the Village's ledger as received from the County Budget Commission and approved by Village Council.

**VILLAGE OF FLUSHING  
BELMONT 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; <b>Explain:</b>
1999-31007-001	Ohio Rev. Code Section 149.351(A) regarding destruction of records.	Partially Corrected.	We reported this finding in the management letter.
1999-31007-002	Ohio Rev. Code Section 5705.41(B) regarding expenditures in excess of appropriations.	No.	Reissued as finding No. 2001-31007-003.
1999-31007-003	Ohio Rev. Code Section 5705.41(D) regarding certification of available funds.	No.	Reissued as finding No. 2001-31007-004.
1999-31007-004	Recommendation regarding maintenance of utility billing/collection records.	No.	Reissued as finding No. 2001-31007-005.





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 FLUSHING**

**BELMONT 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  
DECEMBER 26, 2002**