



**Auditor of State
Betty Montgomery**

VILLAGE OF MCARTHUR
VINTON COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of McArthur
Vinton County
124 West Main Street
McArthur, Ohio 45651

To the Village Council:

We have audited the accompanying financial statements of the Village of McArthur, Vinton County, Ohio (the Village), as of and for the years ended December 31, 2003, 2002, and 2001. 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.

Except as described in the following paragraph, 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.

The Village did not maintain sufficient supporting documentation for all disbursements for 2003, 2002 and 2001.

We identified Enterprise Fund Charges for Services collected but not deposited of \$31,105 for 2001, \$43,498 for 2002 and \$54,809 for 2003. While the combined Enterprise Funds' operating receipts and fund balances reconcile to cash assets, these receipts and fund balances would be increased had all deposits been made.

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, due to the understatement of Enterprise Fund Charges for Services and fund cash balances due to missing deposits described above, the combined Enterprise Funds are not fairly stated in accordance with the accounting basis described in Note 1. In addition, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to examine sufficient evidence supporting all disbursements, all the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the General, Special Revenue, and Agency Funds of the Village of McArthur, Vinton County, as of December 31, 2003, 2002 and 2001, and those combined Funds' 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 December 21, 2004 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 the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 21, 2004

**VILLAGE OF MCARTHUR
VIINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$76,267	\$103,999	\$180,266
Intergovernmental Receipts	76,391	100,041	176,432
Charges for Services		32,185	32,185
Fines, Licenses, and Permits	53,202	350	53,552
Earnings on Investments	137	2,874	3,011
Miscellaneous	6,001	28,487	34,488
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	211,998	267,936	479,934
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	209,109	102,910	312,019
Leisure Time Activities		18,291	18,291
Transportation		123,453	123,453
General Government	46,370		46,370
Debt Service:			
Principal Payments		8,014	8,014
Interest Payments		717	717
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	255,479	253,385	508,864
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(43,481)	14,551	(28,930)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	(502)	75,605	75,103
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>(\$43,983)</u>	<u>\$90,156</u>	<u>\$46,173</u>

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

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$407,127	\$	\$407,127
Earnings on Investments	228		228
Miscellaneous	4,679		4,679
	<u>412,034</u>	<u>0</u>	<u>412,034</u>
Operating Cash Disbursements:			
Personal Services	202,816		202,816
Contractual Services	57,679		57,679
Supplies and Materials	31,252		31,252
Capital Outlay	31,859		31,859
	<u>323,606</u>	<u>0</u>	<u>323,606</u>
Operating Income/(Loss)	<u>88,428</u>	<u>0</u>	<u>88,428</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	4,656	60,124	64,780
	<u>4,656</u>	<u>60,124</u>	<u>64,780</u>
Non-Operating Cash Disbursements:			
Debt Service	120,376		120,376
Other Non-Operating Cash Disbursements	10,000	62,380	72,380
	<u>130,376</u>	<u>62,380</u>	<u>192,756</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(37,292)	(2,256)	(39,548)
Fund Cash Balances, January 1	<u>84,028</u>	<u>5,487</u>	<u>89,515</u>
Fund Cash Balances, December 31	<u><u>\$46,736</u></u>	<u><u>\$3,231</u></u>	<u><u>\$49,967</u></u>

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

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$78,968	\$96,014	\$174,982
Intergovernmental Receipts	80,834	126,244	207,078
Charges for Services		23,505	23,505
Fines, Licenses, and Permits	49,520	1,072	50,592
Earnings on Investments	308	360	668
Miscellaneous	2,502	15,988	18,490
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	212,132	263,183	475,315
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	233,676	89,735	323,411
Leisure Time Activities		14,699	14,699
Transportation		95,507	95,507
General Government	45,029		45,029
Debt Service:			
Principal Payments		52,814	52,814
Interest Payments		1,198	1,198
Capital Outlay	14,511	34,537	49,048
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	293,216	288,490	581,706
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(81,084)	(25,307)	(106,391)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Sale of Bonds or Notes	65,000	37,806	102,806
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	65,000	37,806	102,806
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,084)	12,499	(3,585)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	15,582	63,106	78,688
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>(\$502)</u>	<u>\$75,605</u>	<u>\$75,103</u>

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

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$385,555	\$	\$385,555
Earnings on Investments	1,384		1,384
Total Operating Cash Receipts	<u>386,939</u>	<u>0</u>	<u>386,939</u>
Operating Cash Disbursements:			
Personal Services	154,378		154,378
Contractual Services	59,158		59,158
Supplies and Materials	46,945		46,945
Capital Outlay	24,936		24,936
Total Operating Cash Disbursements	<u>285,417</u>	<u>0</u>	<u>285,417</u>
Operating Income/(Loss)	<u>101,522</u>	<u>0</u>	<u>101,522</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		59,456	59,456
Total Non-Operating Cash Receipts	<u>0</u>	<u>59,456</u>	<u>59,456</u>
Non-Operating Cash Disbursements:			
Debt Service	119,894		119,894
Other Non-Operating Cash Disbursements		56,697	56,697
Total Non-Operating Cash Disbursements	<u>119,894</u>	<u>56,697</u>	<u>176,591</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(18,372)	2,759	(15,613)
Fund Cash Balances, January 1	<u>102,400</u>	<u>2,728</u>	<u>105,128</u>
Fund Cash Balances, December 31	<u><u>\$84,028</u></u>	<u><u>\$5,487</u></u>	<u><u>\$89,515</u></u>

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

**VILLAGE OF MCARTHUR
VINTON 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$75,638	\$114,251	\$189,889
Intergovernmental Receipts	141,777	74,687	216,464
Charges for Services		36,729	36,729
Fines, Licenses, and Permits	34,087	1,583	35,670
Earnings on Investments	424	283	707
Miscellaneous	22,854	20,049	42,903
	<u>274,780</u>	<u>247,582</u>	<u>522,362</u>
Total Cash Receipts			
	<u>274,780</u>	<u>247,582</u>	<u>522,362</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	233,038	105,971	339,009
Leisure Time Activities		14,102	14,102
Transportation		95,674	95,674
General Government	36,321		36,321
Debt Service:			
Principal Payments		12,154	12,154
	<u>269,359</u>	<u>227,901</u>	<u>497,260</u>
Total Cash Disbursements			
	<u>269,359</u>	<u>227,901</u>	<u>497,260</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>5,421</u>	<u>19,681</u>	<u>25,102</u>
Other Financing Receipts/(Disbursements):			
Other Financing Uses		(60)	(60)
	<u>0</u>	<u>(60)</u>	<u>(60)</u>
Total Other Financing Receipts/(Disbursements)			
	<u>0</u>	<u>(60)</u>	<u>(60)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>5,421</u>	<u>19,621</u>	<u>25,042</u>
Fund Cash Balances, January 1	<u>10,161</u>	<u>43,485</u>	<u>53,646</u>
Fund Cash Balances, December 31	<u><u>\$15,582</u></u>	<u><u>\$63,106</u></u>	<u><u>\$78,688</u></u>

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

**VILLAGE OF MCARTHUR
VINTON COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$335,709	\$	\$335,709
Earnings on Investments	\$1,965		1,965
Miscellaneous	9,086		9,086
	<u>346,760</u>		<u>346,760</u>
Total Operating Cash Receipts	<u>346,760</u>	<u>0</u>	<u>346,760</u>
Operating Cash Disbursements:			
Personal Services	152,763		152,763
Contractual Services	51,069		51,069
Supplies and Materials	37,547		37,547
Other	15,062		15,062
	<u>256,441</u>		<u>256,441</u>
Total Operating Cash Disbursements	<u>256,441</u>	<u>0</u>	<u>256,441</u>
Operating Income/(Loss)	<u>90,319</u>	<u>0</u>	<u>90,319</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		40,655	40,655
	<u>0</u>	<u>40,655</u>	<u>40,655</u>
Total Non-Operating Cash Receipts	<u>0</u>	<u>40,655</u>	<u>40,655</u>
Non-Operating Cash Disbursements:			
Debt Service	119,691		119,691
Other Non-Operating Cash Disbursements		39,039	39,039
	<u>119,691</u>	<u>39,039</u>	<u>158,730</u>
Total Non-Operating Cash Disbursements	<u>119,691</u>	<u>39,039</u>	<u>158,730</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(29,372)	1,616	(27,756)
Fund Cash Balances, January 1	<u>131,772</u>	<u>1,112</u>	<u>132,884</u>
Fund Cash Balances, December 31	<u>\$102,400</u>	<u>\$2,728</u>	<u>\$105,128</u>

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

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of McArthur, Vinton 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 water and sewer utilities, park operations, and police and fire 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

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Fire Fund -This fund receives property tax and contractual charges to provide fire protection for the Village and surrounding townships.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund – This fund accounts for the financial activity of the Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003, 2002 and 2001 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

The Village maintains a cash 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:

	2003	2002	2001
Demand deposits	\$96,140	\$133,649	\$153,738
Certificates of deposit		30,969	30,078
Total deposits	\$96,140	\$164,618	\$183,816

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003, 2002 and 2001 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$217,245	\$211,998	(\$5,247)
Special Revenue	229,420	267,936	38,516
Enterprise	598,900	416,690	(182,210)
Total	\$1,045,565	\$896,624	(\$148,941)

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$223,643	\$255,479	(\$31,836)
Special Revenue	297,329	253,385	43,944
Enterprise	682,928	453,982	228,946
Total	<u>\$1,203,900</u>	<u>\$962,846</u>	<u>\$241,054</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$242,386	\$277,132	\$34,746
Special Revenue	167,688	300,989	133,301
Enterprise	546,580	386,939	(159,641)
Total	<u>\$956,654</u>	<u>\$965,060</u>	<u>\$8,406</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$251,967	\$293,216	(\$41,249)
Special Revenue	302,288	288,490	13,798
Enterprise	648,981	405,311	243,670
Total	<u>\$1,203,236</u>	<u>\$987,017</u>	<u>\$216,219</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$277,070	\$274,780	(\$2,290)
Special Revenue	227,744	247,582	19,838
Enterprise	514,000	346,760	(167,240)
Total	<u>\$1,018,814</u>	<u>\$869,122</u>	<u>(\$149,692)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$287,231	\$269,359	\$17,872
Special Revenue	271,230	227,961	43,269
Enterprise	645,772	376,132	269,640
Total	<u>\$1,204,233</u>	<u>\$873,452</u>	<u>\$330,781</u>

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Police Levy Fund, and State Highway Fund by \$31,836, \$2,703, and \$2,378, respectively for the year ended December 31, 2003, in the General Fund and Police Levy Fund by \$41,249 and \$2,565, respectively, for the year ended December 31, 2002 and in the Police Levy Fund by \$3,034, for the year ended December 31, 2001. Also contrary to Ohio law, at December 31, 2003, the General Fund and Water Fund had cash deficit balances of \$43,983 and \$1,200 respectively, and at December 31, 2002, the General Fund, Police Levy Fund and Water Fund had cash deficit balances of \$502, \$104, and \$5,969, respectively. Additionally, throughout the year, cash deficit balances were noted in the State Highway Fund during 2003 and 2002, and in the General Fund, Fire Levy Fund, Street Light Fund, Police Levy Fund and Street Construction, Maintenance and Repair Funds during 2001. Lastly, contrary to Ohio Law, appropriations exceeded actual resources in the General Fund, Fire Fund, Water Fund and Sewer Fund in 2003 by \$12,147, \$3,255, \$19,048, and \$167,818, respectively at December 31, 2003, in the State Highway Fund, Fire Fund, Water Fund and Sewer Fund by \$2,039, \$17,398, \$10,293, and \$149,349, respectively at December 31, 2002, and in the General Fund, State Highway Fund, Water Fund and Sewer Fund by \$2,290, \$120, \$697, and \$166,543, respectively at December 31, 2001.

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.

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, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$980,250	2.00%
General Operation Note	50,075	5.12%
Building Renovation Note	12,333	4.76%
Total	\$1,042,658	

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The total amount financed for this project was \$1,962,606. The loans will be repaid in semiannual installments of \$59,773, including interest, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Operation Note was to cover general operating expenses. The note will be repaid in 4 annual installments of \$14,217, including interest. The note is collateralized by the Village's taxing authority.

The Building Renovation Note relates to a \$15,075 note to remodel the former Fire Department building to be used by the Police Department. The note will be repaid in 5 annual installments of \$3,459, including interest. The note is collateralized by the Village's taxing authority.

	<u>OWDA Loan</u>	<u>General Operating Note</u>	<u>Building Renovation Note</u>
Year ending December 31:			
2004	\$119,546	\$28,434	\$3,459
2005	119,546	14,217	3,459
2006	119,546	14,217	3,459
2007	119,546		3,459
2008	119,546		
2009-2012	425,985		
Total	<u>\$1,023,715</u>	<u>\$56,868</u>	<u>\$13,836</u>

In addition to the debt described above, the Village retired a sidewalk project debt of \$37,806 during 2002 and a fire department debt of \$50,000 during 2003.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village had \$29,291 in unpaid OP&F contributions and \$8,065 in unpaid PERS contributions required through December 31, 2003.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. 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.

9. RELATED PARTY TRANSACTIONS

The father of the former Village Clerk-Treasurer and Utility Clerk was hired by Council to create, implement and maintain the accounting and utility billing software. William Armstrong was paid \$1,800 for his services during 2003, \$2,033 for his services during 2002, and \$2,220 for his services during 2001.

10. SUBSEQUENT EVENTS

On September 20, 2004, Angie McIver, former Village Clerk, was sentenced for a conviction of Theft in Office, R.C. 2921.41(A), as a third degree felony in the case of State of Ohio vs. Angie McIver, Case No. 03CR7449 in the Court of Common Pleas, Vinton County, Ohio. A portion of that sentence required McIver to pay \$41,607.78 in restitution to the Vinton County Clerk of Courts. The Clerk of Courts is directed to distribute the restitution funds in the following manner: the first \$25,000.00 to the Village of McArthur, the Board of Trustees of Public Affairs of McArthur, and the Ohio Farmers Insurance Company jointly, and the remaining \$16,607.78 to the Village of McArthur and the Board of Trustees of Public Affairs of McArthur jointly.

11. DEFICIT FUND BALANCES

The Village had deficit fund balances of \$43,983 in the General Fund and \$1,200 in the Water Fund at December 31, 2003. As of December 8, 2004, the Village had unaudited deficit fund balances of \$39,603 in the General Fund and \$1,150 in the Police Fund. The Village has attempted to reduce spending during 2004 through layoffs of police officers and moving the remaining police department into the Village Hall to reduce operational costs associated with the separate building. On November 2, 2004, voters within the Village did approve an additional police levy.

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**Auditor of State
Betty Montgomery**

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

Village of McArthur
Vinton County
124 West Main Street
McArthur, Ohio 45651

To the Village Council:

We have audited the accompanying financial statements of the Village of McArthur, Vinton County, Ohio (the Village), as of and for the years ended December 31, 2003, 2002, and 2001 and have issued our report thereon dated December 21, 2004, wherein we noted we were unable to obtain sufficient evidential matter for all disbursements and wherein we noted we identified Enterprise Fund Charges for Services collected, but not deposited, of \$31,105 for 2001, \$43,498 for 2002, and \$54,809 for 2003. Except regarding the lack of evidential matter for some disbursements, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Compliance

As part of our audit, 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 2003-001 through 2003-020. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 21, 2004.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Village's internal control over financial reporting in order to determine our 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 general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-021 through 2003-025.

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 may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe reportable conditions 2003-023 through 2003-025 described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated December 21, 2004.

This report is intended solely for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 21, 2004

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001**

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

FINDING NUMBER 2003-001

Finding for Recovery

Angela Mclver, former Utility Clerk, was responsible for collecting, recording, and depositing utility receipts.

We obtained bank deposit copies for each deposit made by the Village of McArthur for the Board of Public Affairs bank account #329 at the Vinton County National Bank for the period January 1, 2001 through December 31, 2003. Copies obtained from the bank included an image of each check in the deposit as well as the cash in ticket (the amount of cash that was in the deposit). We traced each deposit total to either a utility batch total, a miscellaneous receipt total (tap, interest, other miscellaneous receipts) or a combination of utility batch and miscellaneous receipts totals.

We then traced the individual checks making up the bank deposits to the utility stubs within the matching batch. During this process, we noted that many checks were included in the deposits for which no corresponding utility stub was found, however, many other utility stubs were in the batch that exceeded the cash part of the deposit and for which no related check could be found. Some of the checks in the deposit that were unaccounted for in the related batch would show up in a later batch. However, many checks never did have a corresponding utility payment, tap fee or other miscellaneous receipt posted. In their place were numerous other stubs for which no related check was located, indicating these were cash collections. Based on the above facts, we determined that the Utility Clerk was depositing checks in place of cash payments and pocketing the cash, while posting payments only to those accounts paid by cash and not posting payments to the accounts related to the checks deposited.

When a customer check was deposited but a utility payment was not posted to their account, the account would not appear in the Utility History report within the Village utility system. This indicated that the account was eliminated from the system for that month so that there would be no carryover balance of delinquent receivables for that account.

After tracing all checks making up the deposits to the corresponding stub or miscellaneous receipt, we were left with a total of \$129,412.25 in checks that were deposited but no related account was posted (\$31,105.16 for 2001, \$43,497.90 for 2002 and \$54,809.19 for 2003).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money collected but unaccounted for is hereby proposed against former Utility Clerk, Angela Mclver, in the amount of \$129,412.25 in favor of the Village of McArthur Water Fund (\$64,706.12) and in favor of the Village of McArthur Sewer Fund (\$64,706.13).

Following a December 6, 2004 grand jury session, Angela Mclver was indicted on three counts of theft in office, R.C. 2921.41(A) as filed with the Common Pleas Court of Vinton County on December 14, 2004 relating to the above finding.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-002

Finding for Recovery

Ordinance 5-3-00 states the salary of the Village Clerk shall be \$10,000 per year and the salary of the Board of Public Affairs Clerk shall be \$16,400 per year. There were no salary increases for these positions during 2001. During 2002, a five percent pay increase was approved for the Board of Public Affairs Clerk, increasing the salary to \$17,220 per year. The Village Clerk position remained at \$10,000 per year. Ordinance 4-3-03 states the salary of the Village Clerk shall be \$10,000 per year and the salary of the Board of Public Affairs Clerk shall be \$18,081 per year. The Village Clerk position and the Board of Public Affairs Clerk position were both held by Angela Mclver. During 2001 and 2002, Angela Mclver paid herself additional compensation on her regularly scheduled payroll checks. During 2003, Angela Mclver paid herself additional payroll checks in excess of the 26 authorized bi-weekly checks. Salary overpayments were calculated as follows:

Year	Village Clerk Approved Salary	Actual Pay	Amount of Overpayment	Board of Public Affairs Clerk Approved Salary	Actual Pay	Amount of Overpayment	Total Overpayment
2003	\$ 10,000	\$ 24,130	\$ 14,130	\$ 18,081	\$ 44,422	\$ 26,341	\$ 40,471
2002	10,000	10,288	288	17,220	17,707	487	775
2001	10,000	10,000	0	16,400	17,683	1,283	1,283
	\$ 30,000	\$ 44,418	\$ 14,418	\$ 51,701	\$ 79,812	\$ 28,111	\$ 42,529

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against former Village Clerk and former Utility Clerk Angela Mclver and Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$42,529 in favor of the Village of McArthur General Fund (\$14,418) and Village of McArthur Water Fund (\$28,111) for the period January 1, 2001 through December 31, 2003.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela Mclver's bond. Of this, \$14,129.76 was allocated to the General Fund with the remaining \$10,870.24 allocated to the Water Fund. After a hearing held on September 20, 2004, on September 30, 2004, the Court of Common Pleas, Vinton County, Ohio, ordered Angela Mclver to pay restitution in the amount of \$41,607.78. The first \$25,000 is to be distributed jointly to the Village of McArthur, the Board of Trustees of Public Affairs of McArthur, and the Ohio Farmers Insurance Company. The remaining \$16,607.78 of the court ordered restitution is to be distributed jointly to the Village of McArthur and the Board of Trustees of Public Affairs of McArthur. Once the restitution of \$41,607.78 is received, the remaining finding is \$921.22.

FINDING NUMBER 2003-003

Finding for Recovery

Ordinance 4-3-03 states the salary of the Street Employee #2 shall be \$21,300 per year. This calculates to \$10.24 per hour. Further, Ordinance No. 2003-1-8-03 states an employee of the Village of McArthur, Ohio who is not scheduled to work on a holiday and who does not work on that holiday shall be compensated for the holiday workday at his rate of pay, irrespective of whether the employee is on vacation. John Kirby was Street Employee #2 during 2003 when all employees were paid twice their hourly rate for some holidays not worked instead of their regular hourly rate.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-003 (Continued)

Finding for Recovery (Continued)

John Kirby did not work Labor Day, Veterans Day or Thanksgiving Day in 2003. For each of these pay periods, he should have been compensated for 72 regular hours and 8 holiday hours at his regular rate of pay and any overtime at a rate of one and a half times his hourly rate. Instead, he was paid twice his regular hourly rate for those holidays resulting in an overpayment as follows:

Position	Employee Name	Approved Pay Rate	Date	Overtime	Actual Pay	Pay per Approved Rate	Overpayment
Street Employee #2	John Kirby	\$10.24 per hour	9/5/2003	1	\$ 917	\$ 835	\$ 82
			11/14/2003	0	901	819	82
			11/28/2003	0	901	819	82
					\$ 2,719	\$ 2,473	\$ 246

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Street Employee #2 John Kirby, former Village Clerk Angela McIver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$246 in favor of the Street Fund for the period January 1, 2003 through December 31, 2003.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela McIver's bond.

FINDING NUMBER 2003-004

Finding for Recovery

Ordinance 4-3-03 states the salary of the Street Foreman shall be \$28,400 per year. This calculates to \$13.65 per hour. Further, Ordinance No. 2003-1-8-03 states an employee of the Village of McArthur, Ohio who is not scheduled to work on a holiday and who does not work on that holiday shall be compensated for the holiday workday at his rate of pay, irrespective of whether the employee is on vacation. Terry Thacker was Street Foreman during 2003 when all employees were paid twice their hourly rate for some holidays not worked instead of their regular hourly rate. Terry Thacker did not work Labor Day, Veterans Day or Thanksgiving Day in 2003. For each of these pay periods, he should have been compensated for 72 regular hours and 8 holiday hours at his regular rate of pay and any overtime at a rate of one and a half times his hourly rate. Instead, he was paid twice his regular hourly rate for those holidays resulting in an overpayment as follows:

Position	Employee Name	Approved Pay Rate	Date	Overtime	Actual Pay	Pay per Approved Rate	Overpayment
Street Foreman	Terry Thacker	\$13.65 per hour	9/5/2003	1	\$ 1,222	\$ 1,113	\$ 109
			11/14/2003	0	1,201	1,092	109
			11/28/2003	0	1,201	1,092	109
					\$ 3,624	\$ 3,297	\$ 327

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-004 (Continued)

Finding for Recovery (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Street Foreman Terry Thacker, former Village Clerk Angela Mclver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$327 in favor of the Street Fund for the period January 1, 2003 through December 31, 2003.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela Mclver's bond.

FINDING NUMBER 2003-005

Finding for Recovery

Ordinance 4-3-03 states the salary of the Water Superintendent shall be \$34,890.81. This calculates to \$16.77 per hour. Further, Ordinance No. 2003-1-8-03 states an employee of the Village of McArthur, Ohio who is not scheduled to work on a holiday and who does not work on that holiday shall be compensated for the holiday workday at his rate of pay, irrespective of whether the employee is on vacation. Mark Walker was Water Superintendent during 2003 when all employees were paid twice their hourly rate for some holidays not worked instead of their regular hourly rate. Mark Walker did not work Memorial Day, 4th of July, Labor Day, or Veterans Day in 2003. For each of these pay periods, he should have been compensated for 72 regular hours and 8 holiday hours at his regular rate of pay and any overtime at a rate of one and a half times his hourly rate. Instead, he was paid twice his regular hourly rate for those holidays resulting in an overpayment as follows:

Position	Employee Name	Approved Pay Rate	Pay Date	Overtime	Actual Pay	Pay per Approved Rate	Overpayment
Water Superintendent	Mark Walker	\$16.77 per hour	5/30/2003	0	\$ 1,476	\$ 1,342	\$ 134
			7/11/2003	0	1,476	1,342	134
			9/5/2003	7	1,652	1,518	134
			11/14/2003	6	1,627	1,493	134
					\$ 6,231	\$ 5,695	\$ 536

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Water Superintendent Mark Walker, former Village Clerk Angela Mclver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$536 in favor of the Water Fund for the period January 1, 2003 through December 31, 2003.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela Mclver's bond.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-006

Finding for Recovery

Ordinance 4-3-03 states the salary of the Water Employee #2 shall be \$30,489.63. This calculates to \$14.66 per hour. Further, Ordinance No. 2003-1-8-03 states an employee of the Village of McArthur, Ohio who is not scheduled to work on a holiday and who does not work on that holiday shall be compensated for the holiday workday at his rate of pay, irrespective of whether the employee is on vacation. Garry Pierce was Water Employee #2 during 2003 when all employees were paid twice their hourly rate for some holidays not worked instead of their regular hourly rate. Garry Pierce did not work Memorial Day or the 4th of July in 2003. For each of these pay periods, he should have been compensated for 72 regular hours and 8 holiday hours at his regular rate of pay and any overtime at a rate of one and a half times his hourly rate. Instead, he was paid twice his regular hourly rate for those holidays resulting in an overpayment as follows:

Position	Employee Name	Approved Pay Rate	Date	Overtime	Actual Pay	Per per Approved Rate	Over/(Under) Payment
Water Employee #2	Garry Pierce	\$14.66 per hour	5/30/2003	0	1,290	1,173	117
			7/11/2003	16	1,642	1,525	117
					\$ 2,932	\$ 2,698	\$ 234

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Water Employee #2 Garry Pierce, former Village Clerk Angela McIver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$234 in favor of the Water Fund for the period January 1, 2003 through December 31, 2003.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela McIver's bond.

FINDING NUMBER 2003-007

Finding for Recovery

Ordinance 4-3-03 states the salary of the Water Employee #3 shall be \$22,365. This calculates to \$10.75 per hour. Further, Ordinance No. 2003-1-8-03 states an employee of the Village of McArthur, Ohio who is not scheduled to work on a holiday and who does not work on that holiday shall be compensated for the holiday workday at his rate of pay, irrespective of whether the employee is on vacation. Jay Campbell was Water Employee #3 during 2003 when all employees were paid twice their hourly rate of pay for some holidays not worked instead of their regular hourly rate. Jay Campbell did not work Labor Day, Veteran's Day or Thanksgiving Day in 2003. For each of these pay periods, he should have been compensated for 72 regular hours and 8 holiday hours at his regular rate of pay and any overtime at a rate of one and a half times his hourly rate. Instead, he was paid twice his regular hourly rate for those holidays. Additionally, he was paid at the incorrect rate of \$11.26 per hour for the first two pay periods in 2003. These items resulted in an overpayment as follows:

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-007 (Continued)

Finding for Recovery (Continued)

Position	Employee Name	Approved Pay Rate	Date	Overtime	Actual Pay	Pay Per Approved Rate	Overpayment
Water Employee #3	Jay Campbell	\$10.75 per hour	1/10/2003	0	\$ 901	\$ 860	\$ 41
			1/24/2003	16	1,159	1,118	41
			9/5/2003	0	946	860	86
			11/14/2003	4	1,011	925	86
			11/28/2003	0	946	860	86

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Water Employee #3 Jay Campbell, former Village Clerk Angela McIver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$340 in favor of the Water Fund for the period January 1, 2003 through December 31, 2003.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela McIver's bond.

FINDING NUMBER 2003-008

Finding for Recovery

Ordinance 4-3-03 states the salary of the Village Patrolmen shall be \$21,300 per year. This calculates to \$10.24 per hour. Further, Ordinance No. 2003-1-8-03 states an employee of the Village of McArthur, Ohio who is not scheduled to work on a holiday and who does not work on that holiday shall be compensated for the holiday workday at his rate of pay, irrespective of whether the employee is on vacation. Mark Schweikert was a Village Patrolman during 2003 when all employees were paid twice their hourly rate for some holidays not worked instead of their regular hourly rate. Mark Schweikert did not work Memorial Day, Labor Day, or Veteran's Day in 2003. For each of these pay periods, he should have been compensated for 72 regular hours and 8 holiday hours at his regular rate of pay. Instead, he was paid twice his regular hourly rate for those holidays, resulting in an overpayment as follows:

Position	Employee Name	Approved Pay Rate	Date	Actual Pay	Pay Per Approved Rate	Overpayment	
Village Patrolman	Mark Schweikert	\$10.24 per hour	5/30/2003	\$ 901	\$ 819	\$ 82	
			9/5/2003	901	819	82	
			11/14/2003	901	819	82	

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Patrolman Mark Schweikert, former Village Clerk Angela McIver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$246 in favor of the General Fund for the period January 1, 2003 through December 31, 2003.

VILLAGE OF MCARTHUR
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)

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

FINDING NUMBER 2003-008 (Continued)

Finding for Recovery (Continued)

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela McIver's bond.

FINDING NUMBER 2003-009

Finding for Recovery

Ordinance 5-3-00 states the salary of the Auxiliary Police Officers shall be \$6 per hour, when working a regular shift as replacement for a regular officer. This was not updated until January, 2, 2002, when Council approved an increase of pay to \$8 per hour. Pennie Carsey was an Auxiliary Police Officer during 2001, when Auxiliary Police Officers were incorrectly paid at a rate of \$8 per hour, resulting in an overpayment as follows:

Name	Date	Hours Worked	Actual Pay	Pay per Approved Rate	Overpayment
Pennie Carsey	2/9/2001	80	\$ 640	\$ 480	\$ 160
	11/16/2001	8	64	48	16
			\$ 704	\$ 528	\$ 176

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Auxiliary Police Officer Pennie Carsey, former Village Clerk Angela McIver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$176 in favor of the General Fund for the period January 1, 2001 through December 31, 2001.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela McIver's bond.

FINDING NUMBER 2003-010

Finding for Recovery

Ordinance 5-3-00 states the salary of the Auxiliary Police Officers shall be \$6 per hour, when working a regular shift as replacement for a regular officer. This was not updated until January, 2, 2002, when Council approved an increase of pay to \$8 per hour. Thomas Nerviano was an Auxiliary Police Officer during 2001 when Auxiliary Police Officers were incorrectly paid at a rate of \$8 per hour, resulting in an overpayment as follows:

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-010 (Continued)

Finding for Recovery (Continued)

Name	Date	Hours Worked	Actual Pay	Pay per Approved Rate	Overpayment
Thomas Nerviano	6/29/2001	6	\$ 48	\$ 36	\$ 12
	7/27/2001	32	192	192	0
	8/3/2001	0	64	0	64
	8/10/2001	32	256	192	64
	8/24/2001	32	256	192	64
	9/7/2001	32	256	192	64
	9/21/2001	68	544	408	136
	10/5/2001	32	256	192	64
	10/19/2001	40	320	240	80
	11/2/2001	24	192	144	48
	11/16/2001	40	320	240	80
			\$ 2,704	\$ 2,028	\$ 676

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Auxiliary Police Officer Thomas Nerviano, former Village Clerk Angela McIver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$676 in favor of the General Fund for the period January 1, 2001 through December 31, 2001.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela McIver's bond.

FINDING NUMBER 2003-011

Finding for Recovery

Ordinance 5-3-00 states the salary of the Auxiliary Police Officers shall be \$6 per hour, when working a regular shift as replacement for a regular officer. This was not updated until January, 2, 2002, when Council approved an increase of pay to \$8 per hour. Amy Gumm was an Auxiliary Police Officer during 2001 when Auxiliary Police Officers were incorrectly paid at a rate of \$8 per hour, resulting in an overpayment as follows:

Name	Date	Hours Worked	Actual Pay	Pay per Approved Rate	Overpayment
Amy Gumm	6/1/2001	6	\$ 48	\$ 36	\$ 12
	9/21/2001	16	128	96	32
	10/19/2001	16	128	96	32
	11/16/2001	16	128	96	32
			\$ 432	\$ 324	\$ 108

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-011 (Continued)

Finding for Recovery (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Auxiliary Police Officer Amy Gumm, former Village Clerk Angela Mclver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$108 in favor of the General Fund for the period January 1, 2001 through December 31, 2001.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela Mclver's bond.

FINDING NUMBER 2003-012

Finding for Recovery

A \$500 bonus for all employees was approved by Council for the year 2001 however, no bonuses were approved for the year 2002. On December 9, 2002, Robert Huntley, Park Manager, received a check in the amount of \$500. This amount did not coincide with his hourly rate of \$7.50. No supporting documentation could be provided to indicate the purpose of this payment, resulting in an overpayment of \$500.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Park Manager Robert Huntley, former Village Clerk Angela Mclver and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$500 in favor of the Park Fund for the period January 1, 2002 through December 31, 2002.

On September 3, 2004, Ohio Farmers Insurance Company paid \$25,000 to the Village of McArthur, which is the limit of Angela Mclver's bond.

FINDING NUMBER 2003-013

Finding for Recovery

Cindy Fannin, Mayor's Court Clerk, was responsible for collecting and depositing fines imposed as a result of tickets issued by the Village Police Department and for maintaining the Mayor's Court ledgers and docket. We noted three receipts that were not deposited with the bank as follows:

Receipt #	Receipt Date	Amount	Received in	Receipt signed by
1756	9/17/2001	\$ 75	Cash	Cindy Fannin
167147	8/25/2003	158	Cash	Cindy Fannin
168276	10/28/2003	20	Cash	Cindy Fannin
		\$ 253		

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-013 (Continued)

Finding for Recovery (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money collected but unaccounted for is hereby issued against Mayor's Court Clerk Cindy Fannin in the amount of \$253 in favor of the Mayor's Court Account.

FINDING NUMBER 2003-014

Finding for Recovery

Angela McIver, former Utility Clerk, was responsible for collecting, recording and depositing utility receipts. A utility stub was brought in by a utility customer that was stamped as received on November 24, 2003 with the hand written notation "pd. 150." This customer's account was not posted as having a \$150 payment, nor was the customer given any other credit of \$150. This customer paid in cash.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money collected but unaccounted for is hereby issued against former Utility Clerk Angela McIver in the amount of \$75 in favor of the Water Fund and \$75 in favor of the Sewer Fund.

FINDING NUMBER 2003-015

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires, in part, that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. Only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

A government employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing the funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2003-015
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 9.38 - (Continued)

Utility collections and other Village receipts were often held for several days before depositing with the bank. Although the Village Council has not adopted a policy as described above, the collections often exceeded \$1,000 and would require deposit on the business day following the day of receipt. Additionally, a single day's collections were often split and deposited on two or more days. Finally, deposit tickets did not list the checks included in the deposit making it difficult to trace a particular payment to the deposit in which it was included. Additionally, the Mayor's Court did not always deposit receipts in a timely manner, nor had they adopted a policy as described above.

We recommend the Village Clerk, Utility Clerk and Mayor's Clerk deposit receipts on the next business day following the day of receipt or Village Council should adopt a policy as outlined above. Further, we recommend deposit tickets be fully completed including listing check numbers and amounts of each individual check included in the deposit.

FINDING NUMBER 2003-016

Noncompliance Citation

Ohio Rev. Code Section 5705.09 describes the funds that each subdivision is required to establish. Ohio Rev. Code Section 5705.12 provides, in part, that in addition to the funds provided for by Ohio Rev. Code Sections 5705.09 and 5705.13, the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the Auditor of State, such other funds as are desirable. The subdivision may provide by ordinance or resolution that money derived from special sources other than the general property tax shall be paid directly into such funds.

The Village Clerk established a fund during 2003 titled "Advance Fund". The activity in this fund included a \$37,000 advance out to the Sewer Fund and two subsequent receipts from the Sewer Fund for \$5,000 and \$10,000 respectively, leaving a negative balance of \$22,000 at December 31, 2003. The fund was not established with Council approval nor were the advances in and out of the fund approved by Council. Additionally, this fund was not required to be established by Ohio Rev. Code Section 5705.09 or 5705.13, nor was it established with the approval of the Auditor of State as required by Ohio Rev. Code Section 5705.12. The audited financial statements have been adjusted to eliminate this fund and the related activity.

We recommend that the Village Clerk only establish those funds required by Ohio Rev. Code Section 5705.09 or those approved by Council and the Auditor of State.

**VILLAGE OF MCARTHUR
VINTON COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-017

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states, in part, that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had a deficit fund balance of \$43,983 and the Water Fund had a deficit fund balance of \$1,200 at December 31, 2003. Additionally, negative fund balances were noted in the State Highway Fund and Police Levy Fund during 2003. The General Fund had a deficit fund balance of \$502, the Police Levy Fund had a deficit fund balance of \$104, and the Water Fund had a deficit fund balance of \$5,969 at December 31, 2002. Additionally, negative fund balances were noted in the State Highway Fund during 2002. Lastly, negative fund balances were noted in the General Fund, Fire Fund, Street Construction, Maintenance and Repair Fund, Street Light Fund and Police Levy Fund during 2001.

We recommend that the money paid into a fund be used only for the purposes for which such fund was established. Expenditures should not be permitted from funds with no balance or with a negative balance.

FINDING NUMBER 2003-018

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-018 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.10 (Continued)

We noted that estimated receipts exceeded actual receipts in several funds causing actual resources to fall below the level of appropriation and for which amendments were not obtained as follows:

At December 31, 2003:

Fund	Actual Resources	Appropriations	Variance
General	\$211,496	\$223,643	(\$12,147)
Special Revenue Fund:			
Fire	\$76,767	\$80,022	(\$3,255)
Enterprise Funds:			
Water	\$161,983	\$195,031	(\$33,048)
Sewer	\$334,079	\$487,897	(\$153,818)

At December 31, 2002:

Fund	Actual Resources	Appropriations	Variance
Special Revenue Fund:			
Highway	\$10,238	\$12,277	(\$2,039)
Fire	\$70,782	\$88,180	(\$17,398)
Enterprise Funds:			
Water	\$149,089	\$159,382	(\$10,293)
Sewer	\$340,250	\$489,599	(\$149,349)

At December 31, 2001:

Fund	Actual Resources	Appropriations	Variance
General	\$284,941	\$287,231	(\$2,290)
Special Revenue Fund:			
Highway	\$6,356	\$6,476	(\$120)
Enterprise Funds:			
Water	\$142,280	\$142,977	(\$697)
Sewer	\$336,252	\$502,795	(\$166,543)

We recommend that the Village Clerk obtain a reduced amended certificate of estimated resources upon determination that the amount of the deficiency will reduce available resources below the current level of appropriation, and correspondingly reduce their appropriations.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-019

Noncompliance Citation

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

Expenditures exceeded appropriations at December 31, 2003, 2002 and 2001 as follows:

At December 31, 2003:

Fund	Appropriations	Expenditures	Variance
General	\$223,643	\$255,479	(\$31,836)
Police	\$29,634	\$32,337	(\$2,703)
Highway	\$6,516	\$8,894	(\$2,378)

At December 31, 2002:

Fund	Appropriations	Expenditures	Variance
General	\$251,967	\$293,216	(\$41,249)
Police	\$29,193	\$31,758	(\$2,565)

At December 31, 2001:

Fund	Appropriations	Expenditures	Variance
Police	\$29,382	\$32,416	(\$3,034)

The Village Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-020

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached 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.

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

1. 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.

Amounts of less than \$100 for counties, or less than \$1,000 (\$3,000, after April 7, 2003) for other political subdivisions, 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.

2. Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate: The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Certification of the fiscal officer was not obtained prior to an obligation being incurred for 43% of items tested during 2003, 40% of items tested during 2002, and 20% of items tested during 2001 and "then and now" certificates were not used. Also, purchases made against 60% of the purchase orders tested during 2003, 20% of the purchase orders tested during 2002, and 35% of the purchase orders tested during 2001 were not appropriate for the line item for which the purchase order was issued. Additionally, purchase orders were not properly recorded and encumbered in the accounting system. This resulted in incorrect certification by the fiscal officer and allowed monies to be spent for which no funds were available. This also resulted in encumbrance totals to be unreliable.

We recommend that all purchases be certified with an appropriate purchase order prior to obligation.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-021

Reportable Condition

Access to financial records and financial transactions must be provided in a manner to establish duty segregation between staff, and limit staff members to only those functions needed to perform their specific job duties. If access is not appropriately limited, users may have more access to system functions than necessary for the performance of their job responsibilities, thus reducing the reliability that can be put on the system controls and circumventing the established segregation of duties in relation to proper checks and balances between the Village's departments.

The Village had one computer system which had both the financial data programs and the utility billing programs. Therefore, the Village Clerk (responsible for financial data) and the Utility Clerk (responsible for utility billing), utilized the same computer. Neither program required a user ID or password which would allow each Clerk access to both programs. Additionally, this computer was located in an area where multiple employees could gain access to it. Data in both programs could be easily manipulated and with no user ID or password, there was no way to track who made the changes. This computer system also had PCAnywhere and a modem during the audit period, which allowed access to the computer programs via the internet. The PCAnywhere and modem have both since been disconnected.

Since the new Village Clerk no longer serves as Utility Clerk, we recommend the Village require user ID's and passwords be utilized to gain access to programs. We recommend user access be restricted to only those programs required to perform job duties.

FINDING NUMBER 2003-022

Reportable Condition

The Village accounting system has multiple deficiencies, including but not limited to the following:

- Unrestricted user access,
- Lack of reliable data due to no comparison of input data to supporting documentation performed by the Clerk,
- Noncompliance with the Ohio Admin. Code chart of accounts,
- Lack of a backup policy or disaster recovery plan,
- Lack of viewable budgetary reports and incomplete posting of appropriations, estimated receipts and encumbrances,
- Incomplete utility reports since no single report could be used to view the activity of all accounts during the month,
- No actual fund balance totals since the only fund balances reported related to the primary checking account balances only, when total fund balances included additional accounts such as Certificates of Deposit and savings accounts,
- Lack of on-line posting from the checkbook reports to the receipt and voucher reports, resulting in some differences in receipt and disbursement totals in the receipt and voucher reports than recorded in the checkbook report, and
- Lack of system vendor support.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-022 (Continued)

Reportable Condition (Continued)

As a result of the above deficiencies, the Villages computer system is largely unreliable and was treated as a manual system for audit purposes, requiring additional audit cost to determine actual fund balances and actual receipt and disbursement totals.

We recommend the Village consider utilizing a manual cashbook, appropriation ledger and receipts ledger until such time as Village finances allow for the purchase of a new computer system and that controls be implemented to ensure the information posted to the cashbook is posted in the same manner to the appropriation ledger and/or receipts ledger.

FINDING NUMBER 2003-023

Material Weakness

Expenditures, as posted in the Check Register and Expenditure Reports, cannot be relied upon as being posted accurately. We noted the following errors during our testing of expenditures:

During 2003:

- 4.8% of expenditures tested had no supporting documentation to verify whether payment allocation was correct;
- 5.6% of canceled checks tested had dates which differed from that listed in the check register;
- 9.5% of vouchers tested could not be found; and
- 6.5% of expenditures tested were paid from funds authorized to make the purchase, however, other funds could have also made the purchase and no allocation plan was in place to determine whether fund allocation was correct (i.e. payment of heating bill from the Water Fund only rather than split between the General, Water and Sewer funds when the Village Clerk, Mayor and Utility Clerk share office space).

During 2002:

- 22.9% of expenditures tested had no supporting documentation to verify whether payment allocation among funds was correct;
- 11.4% of vouchers were paid from statements rather than invoices so a complete listing of items purchased was not available, did not contain all invoices, or no voucher packet could be located, therefore, these items could not be determined whether they were for a proper public purpose;
- 12.0% of canceled checks tested had dates which differed from that listed in the check register; and
- 4.3% of expenditures tested were paid from funds authorized to make the purchase, however, other funds could have also made the purchase and no allocation plan was in place to determine whether fund allocation was correct (i.e. payment of heating bill from the Water Fund only rather than split between the General, Water and Sewer funds when the Village Clerk, Mayor and Utility Clerk share office space).

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-023 (Continued)

Material Weakness (Continued)

During 2001:

- 17.8% of expenditures tested had no supporting documentation to verify whether payment allocation was correct;
- 5.7%, of invoices did not describe items purchased, did not contain all billings, or no voucher packet could be located, therefore, these items could not be determined whether they were for a proper public purpose;
- 8.9% of canceled checks tested had dates which differed from that listed in the check register,
- 2.5% of canceled checks tested showed a different payee than that posted to the Check Register;
- 8.3% of vouchers tested could not be found; and
- 3.8% of expenditures tested were paid from funds authorized to make the purchase, however, other funds could have also made the purchase and no allocation plan was in place to determine whether fund allocation was correct (i.e. payment of heating bill from the Water Fund only rather than split between the General, Water and Sewer funds when the Village Clerk, Mayor and Utility Clerk share office space).

Additionally, during 2003, 2002, and 2001, all checks were issued manually. The only signature required was that of the Clerk/Treasurer. During that time period, the Clerk/Treasurer issued herself several additional checks, which remained undetected for an extended period of time (see Finding 2003-002). Checks were not issued in sequential order. We also noted various checks which were dated with only the month and year or were not dated at all and checks which cleared the bank before the issue date shown on the check. Checks were combined when posted to the check register. Some checks which were combined did not list the ending check number that was included in the posting. Lastly, per a scan of voided checks we also noted that many were completed and signed. "Void" was written across the checks, however, the signature area remained intact.

During the period, Council made a motion to approve vouchers each month, as recorded in the minute record, however, the Clerk manually filled in the voucher numbers into the minute book at a later date, so Council was unaware what vouchers were included in the range of numbers they had approved. Council also did not review monthly reports or perform any comparisons between current year expenditures and independently accumulated information such as prior year expenditures and current year budgeted amounts.

In order to ensure that all expenditures are accurately and timely posted as well as properly approved, we recommend the following procedures be implemented:

- The Village Clerk should obtain detailed invoices and attach invoices and other supporting documentation to voucher packets,
- The Village Clerk should maintain all voucher packets at the Village Hall,
- The purchaser should initial Invoices and indicate the department for which the items were purchased,
- Invoices should be marked "ok to pay" by an employee receiving the goods, to indicate that all items ordered were actually received,

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2003-023 (Continued)

Material Weakness (Continued)

- The Village Clerk should post checks to the check register as of the same date for which the checks are written,
- The Village Clerk should exercise care when posting is performed to ensure information posted to the Check Register agrees to actual checks written,
- Someone other than the Village Clerk should perform a comparison of checks to the check register and should be initial and date the check register as evidence of the review,
- The signature of the Village Clerk, President of Village Council and/or the Village Mayor should be required on all checks issued by the Village, with at least two signatures present on all checks,
- The Village Clerk should remove the signature area from all voided checks,
- The Village Clerk should issue checks in sequential order and should date all checks the day they are issued,
- The Village Clerk should post each check to the check register individually in able to determine the amount paid from each fund for each check issued,
- The Village Council should adopt a cost allocation plan to determine percentages each fund would be responsible to pay for various expenses, such as utility bills, postage, and other joint expenses,
- The Village Clerk should record only vouchers actually approved by the Village Council in the minute record;
- The Village Clerk and/or a Village Council subcommittee should perform comparisons between current year expenditures and prior year expenditures and/or current year budgeted amounts; and
- The Village Clerk should present budget vs. actual reports and other relevant reports to the Village Council and their approval should be documented in the minute record.

FINDING NUMBER 2003-024

Material Weakness

There was no indication that the Village monitored budget vs. actual reports. Additionally, the only budgetary reports the Village was able to provide for audit were found on the computer system which only showed the appropriation amount and balance of appropriations. There were no reports found that showed the budgeted amount and the actual amount. Also, the reports found on the computer system could not be viewed on the screen, but were able to be printed. The lack of a monitoring process over budgetary receipts and expenditures in comparison to actual receipts and expenditures assisted in allowing deficit spending to occur; refer to Finding Number 2003-017 in the Schedule of Findings.

We recommend Village Clerk maintain an appropriation ledger and revenue ledger whereby budgeted vs. actual totals can be monitored at any given time. In addition, budget vs. actual data should be provided to Village Council for review to ensure the Village is meeting budgetary targets or to determine if amendments to budgetary figures are necessary. Village Council should determine the frequency that such budgetary information should be provided, (such as monthly), and indicate their review/approval within the Village Council minute record.

VILLAGE OF MCARTHUR
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)

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

FINDING NUMBER 2003-025

Material Weakness

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk performed all accounting functions, including receipting, depositing, disbursing, and reconciling. In addition, until December of 2003, the Village Utility Clerk position was held by the same individual that held the Village Clerk position; therefore, the same individual was performing all accounting functions within the Village other than the Mayor's Court activity. It is therefore important that Village Council function as a finance committee to monitor financial activity closely. While Village Council approved all vouchers for payment, there is no documentation of the extent to which Village Council reviewed financial information to monitor the financial activity. This allowed the Village's financial records to get in disarray and allowed errors and irregularities to occur and remain undetected for an extended period of time.

We recommend that, after the Village Clerk has performed the monthly bank reconciliation, the Village Council review the validity of the computations and attest their agreement thereto. Further, we recommend that the Village Clerk provide Village Council with a monthly financial report which includes month and year to date receipts and disbursements as well as budgeted receipts and appropriations. Village Council's approval of financial reports should be documented in the Minute Record. Additionally, we recommend Village Council consider cross training the Village Water Clerk and the Village Clerk for the duties of each others position in case one become unable to perform their duties and establish procedures where checks and balances between the two positions can be performed. Lastly, the Village Council and Village Clerk should become familiar with the Ohio Compliance Supplement which has been provided to them, as a tool to assist them in complying with some of the applicable Ohio laws and regulations.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-1	Noncompliance of Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations	No	Not Corrected – See Finding Number 2003-018 in the accompanying Schedule of Findings
2000-2	Noncompliance of Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources	No	Partially Corrected – This issue has been referred to management in a separate letter dated November 18, 2004.



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VILLAGE OF MCARTHUR

VINTON 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
FEBRUARY 22, 2005**