



**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003-2004



Mary Taylor, CPA
Auditor of State

VILLAGE OF AMANDA
FAIRFIELD COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Amanda
Fairfield County
116 East Main Street
P.O. Box 250
Amanda, Ohio 43102-0250

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 23, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Amanda
Fairfield County
116 East Main Street
P.O. Box 250
Amanda, Ohio 43102-0250

To the Village Council:

We have audited the accompanying financial statements of the Village of Amanda, Fairfield County, Ohio (the Village) as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the two preceding paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

The Village did not maintain adequate documentation for trash, water, and sewer utility receipts collected in January to June, 2003. Those financial activities represent \$20,763 (14%) and \$65,782 (20%) of receipts in the General and Enterprise Funds in 2003.

Also in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary to the 2003 financial statements had we been able to examine evidence and satisfy ourselves regarding the trash, water, and sewer utility receipts collected in January to June, 2003 as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects the combined fund cash balances of the Village of Amanda, Fairfield County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 2, the Village restated fund balances as of January 1, 2003 due to reclassification of funds.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

March 23, 2007

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$21,835	\$26,184	\$48,019
Intergovernmental Receipts	60,513	121,692	182,205
Charges for Services	54,283	0	54,283
Fines, Licenses, and Permits	119	0	119
Earnings on Investments	4,291	0	4,291
Miscellaneous	2,979	5,370	8,349
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	144,020	153,246	297,266
Cash Disbursements:			
Current:			
Security of Persons and Property	8,975	0	8,975
Leisure Time Activities	3,566	0	3,566
Community Environment	50	0	50
Basic Utility Services	57,138	0	57,138
Transportation	8,305	150,914	159,219
General Government	46,116	171	46,287
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	124,150	151,085	275,235
Total Receipts Over Disbursements	19,870	2,161	22,031
Fund Cash Balances, January 1	80,407	44,826	125,233
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$100,277</u>	<u>\$46,987</u>	<u>\$147,264</u>

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

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$209,540
Miscellaneous	816
	210,356
Operating Cash Disbursements:	
Personal Services	26,114
Fringe Benefits	4,261
Contractual Services	134,878
Supplies and Materials	37,828
Other	1,653
Capital Outlay	219,384
	424,118
Operating Loss	(213,762)
Non-Operating Cash Receipts:	
Intergovernmental Receipts	234,550
Proceeds from OWDA Loans	117,822
	352,372
Non-Operating Cash Disbursements:	
Debt Service	
Principal Payments	42,628
Interest Payments	45,507
	88,135
Net Receipts Over Disbursements	50,475
Fund Cash Balances, January 1	153,623
Fund Cash Balances, December 31	\$204,098

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

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - 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	\$21,024	\$27,738	\$48,762
Intergovernmental Receipts	32,620	37,421	70,041
Charges for Services	41,246	137	41,383
Earnings on Investments	3,822	0	3,822
Miscellaneous	11,453	102	11,555
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	110,165	65,398	175,563
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	11,023	0	11,023
Community Environment	1,900	0	1,900
Basic Utility Services	44,097	0	44,097
Transportation	3,747	62,989	66,736
General Government	68,225	0	68,225
Capital Outlay	43,000	0	43,000
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	171,992	62,989	234,981
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(61,827)	2,409	(59,418)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Note Proceeds	43,000	0	43,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	43,000	0	43,000
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(18,827)	2,409	(16,418)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1 (Restated - See Note 2)	99,234	42,417	141,651
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$80,407</u>	<u>\$44,826</u>	<u>\$125,233</u>

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

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$139,146
Miscellaneous	778
	<u>139,924</u>
Total Operating Cash Receipts	<u>139,924</u>
Operating Cash Disbursements:	
Personal Services	20,588
Fringe Benefits	6,229
Contractual Services	174,610
Supplies and Materials	9,505
Other	815
Capital Outlay	26,200
	<u>237,947</u>
Total Operating Cash Disbursements	<u>237,947</u>
Operating Loss	<u>(98,023)</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	26,200
Proceeds from OWDA Loans	157,758
	<u>183,958</u>
Total Non-Operating Cash Receipts	<u>183,958</u>
Non-Operating Cash Disbursements:	
Debt Service	
Principal Payments	10,900
Interest Payments	43,351
	<u>54,251</u>
Total Non-Operating Cash Disbursements	<u>54,251</u>
Net Receipts Over Disbursements	31,684
Fund Cash Balances, January 1	<u>121,939</u>
Fund Cash Balances, December 31	<u><u>\$153,623</u></u>

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

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Amanda, Fairfield County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides for street maintenance and repair, trash hauling, water and sewer utilities. The Village contracts with the Fairfield County Sheriff's department to provide security of persons and property and contracts with Amanda Township for fire protection services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit 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:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds 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 Fund:

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

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Debt Service Fund - This fund receives utility surcharges from residents to repay a loan from the United States of America, Farmers Home Administration.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. Village 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. The appropriation resolutions were not approved by April 1 as required by Ohio law.

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. The Fiscal Officer did not certify unencumbered fund balances to the County Auditor on or about the first day of the year as required by Ohio law.

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 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. RESTATEMENT

The Federal Grant and Park funds were improperly reported in the General Fund in the 2002 financial statements. This activity should have been reported in the Special Revenue Funds.

Properly reporting this activity had the following effect on cash fund balances on January 1, 2003:

	General Fund	Special Revenue Funds
Cash fund balance as of January 1, 2003	\$114,518	\$27,133
Restatement to properly report the Federal Grant and Park Funds as Special Revenue.	(15,284)	15,284
Restated cash fund balance as of January 1, 2003	\$99,234	\$42,417

3. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$190,292	\$176,652
Certificates of deposit	161,070	102,204
Total Deposits	\$351,362	\$278,856

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$97,607	\$144,020	\$46,413
Special Revenue	91,500	153,246	61,746
Enterprise	145,242	562,728	417,486
Total	<u>\$334,349</u>	<u>\$859,994</u>	<u>\$525,645</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,799	\$124,150	(\$10,351)
Special Revenue	115,255	151,085	(35,830)
Enterprise	266,055	512,253	(246,198)
Total	<u>\$495,109</u>	<u>\$787,488</u>	<u>(\$292,379)</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,825	\$153,165	\$100,340
Special Revenue	81,700	65,398	(16,302)
Enterprise	149,392	323,882	174,490
Total	<u>\$283,917</u>	<u>\$542,445</u>	<u>\$258,528</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,110	\$171,992	(\$34,882)
Special Revenue	80,382	62,989	17,393
Enterprise	216,075	292,198	(76,123)
Total	<u>\$433,567</u>	<u>\$527,179</u>	<u>(\$93,612)</u>

Contrary to Ohio law, expenditures exceeded appropriations in the General Fund, the Street Construction, Maintenance, and Repair Fund, the Water Fund, and the Sewer Fund by \$10,351, \$35,830, \$279,263, and \$13,139, respectively for the year ended December 31, 2004. Expenditures exceeded appropriations in the General and Sewer Funds by \$34,882 and \$108,251, respectively for the year ended December 31, 2003.

Contrary to Ohio law, appropriations exceeded estimated resources in the Water Fund by \$31,910 for the year ended December 31, 2004.

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (#3589)	\$209,327	5.74%
Ohio Water Development Authority Loan (#3985)	109,192	5.01%
Ohio Water Development Authority Loan (#4110)	3,125	4.98%
Kingston Bank Loan	43,000	3.88%
Sewer Mortgage Revenue Bonds	765,800	5.50%
Total	<u><u>\$1,130,444</u></u>	

The Ohio Water Development Authority (OWDA) loans (#3589 and #4110) relate to a water and sewer plant expansion designs. The principal amounts above represent the total balance owed, including \$21,835 of capitalized interest drawn to date. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Since the loans have not been completely drawn, an amortization schedule for the loans is not available. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover future OWDA debt service requirements.

OWDA loan (#3985) relates to waterline construction. The OWDA approved \$109,999 in loans related to this project. The Village repays the loan in semiannual installments of \$3,563, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The bank loan relates to the purchase of property. The loan will be repaid in 2005 and is collateralized by General Fund revenues.

The Sanitary Sewer Mortgage Revenue Bonds relate to the Village's municipal sewer system. The bonds were issued in 1992 for \$850,000. The bonds are being paid in annual installments over 40 years and mature in 2032.

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

The mortgage revenue bond covenant requires the Village to establish and fund a debt service fund for the payment of principal and interest on the bonds. The balance in the debt service fund at December 31, 2004 is \$76,026.

Also, the mortgage revenue bond covenant requires the Village to establish and fund a reserve fund for the purpose of paying the cost of repairing or replacing any damage to the system which may be caused by an unforeseen catastrophe. This fund has not been established pursuant to Village Ordinance 92-9.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Kingston Bank Loan	OWDA Loan (#3985)	Mortgage Revenue Bonds
2005	\$46,150	\$7,126	\$54,219
2006	0	7,126	54,254
2007	0	7,126	54,250
2008	0	7,126	54,207
2009	0	7,126	54,226
2010-2014	0	35,629	271,115
2015-2019	0	35,629	271,194
2020-2024	0	35,629	271,157
2025-2029	0	35,629	271,136
2030-2034	0	32,065	162,679
Total	<u>\$46,150</u>	<u>\$210,211</u>	<u>\$1,518,437</u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan and retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

The Village's Administrator contributes to Social Security (FICA). For 2004 and 2003, the Administrator contributed 6.2% of his gross wages to FICA and the Village matched that contribution in an amount equal to 6.2%. The Village has paid all contributions required through December 31, 2004.

VILLAGE OF AMANDA
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable, should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated Deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>

9. JOINTLY GOVERNED ORGANIZATION

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 47 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. There is no ongoing financial responsibility by the Village.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Amanda
Fairfield County
116 East Main Street
P.O. Box 250
Amanda, Ohio 43102-0250

To the Village Council:

We have audited the financial statements of the Village of Amanda, Fairfield County, Ohio (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 23, 2007, wherein we noted for the year ended December 31, 2004, the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and wherein we qualified our opinion for the year ended December 31, 2003 due to insufficient documentation to support certain utility receipts. We also noted that the Village restated fund balances as of January 1, 2003, and that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-009 through 2004-011.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2004-009 and 2004-010 listed above to be material weaknesses. In a separate letter to the Village's management dated March 23, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-008. In a separate letter to the Village's management dated March 23, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 23, 2007

VILLAGE OF AMANDA
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

MATERIAL NONCOMPLIANCE/REPORTABLE CONDITION

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in §§ 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificates. If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 the expenditures by the Village.

2. Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.)
3. Super Blanket Certificates. 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 operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Village issues regular blanket purchase orders; however, they are generally issued on the same day when the expenditure is made for the purchase commitment. As a result, the Village did not certify the availability of funds prior to the purchase commitment for sixty-nine percent of expenditures tested. The Village also did not prepare then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used. In addition, we recommend the maximum amount for blanket purchase orders be established by ordinance pursuant to Ohio Revised Code Section 5705.41(D)(3).

Officials' Response: We have taken steps to correct.

VILLAGE OF AMANDA
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-002

MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.36(A)(1) requires that on or about the first day of each fiscal year, the Fiscal Officer is to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Fiscal Officer did not certify Village fund balances to the County Auditor until January 13, 2003 and March 24, 2004. The Village's fiscal year begins on January 1 of each year.

We recommend the Village develop policies and procedures to ensure the Fiscal Officer certify the Village's fund balances to the County Auditor when required. Council should not pass permanent appropriations without confirmation from the Budget Commission that the fund balances have been certified.

Officials' Response: We have already corrected.

FINDING NUMBER 2004-003

MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
<u>12/31/03</u>			
General Fund	\$137,110	\$171,992	(\$34,882)
Sewer Fund	58,948	167,199	(108,251)
<u>12/31/04</u>			
General Fund	113,799	124,150	(10,351)
Street Construction, Maintenance, and Repair Fund	115,255	151,085	(35,830)
Water Fund	125,600	404,863	(279,263)
Sewer Fund	40,000	53,139	(13,139)

We recommend the Fiscal Officer request Council to approve increased expenditure levels by amending estimated resources and increasing appropriations when necessary. The Fiscal Officer should deny payment requests exceeding appropriations approved by Council and periodically compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending.

Officials' Response: We will keep an eye on this to try to ensure it won't happen again.

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-004

MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Permanent appropriation ordinances were not approved until April 7, 2003 and April 15, 2004. The lack of approving permanent appropriations by the required date limits the Village management's ability to monitor appropriations made against total estimated resources as certified by the Budget Commission and could result in expenditures exceeding available appropriations.

We recommend the Village develop policies and procedures to ensure appropriations are approved when required. Also, as noted in Finding 2004-003, the Fiscal Officer should deny payment requests exceeding appropriations.

Officials' Response: We will make sure this doesn't happen again.

FINDING NUMBER 2004-005

MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In addition, Ohio Rev. Code Section 5705.36, permits a village to obtain an amended certificate of estimated resources from the county budget commission for monies received in excess of the prior estimate or from new sources.

In 2004, Water fund original appropriations of \$125,600 exceeded estimated resources of \$93,690 by \$31,910. The Village could have obtained amended certificates in amounts greater than originally estimated.

We recommend Council review the Official Amended Certificate of Estimated Resources when passing permanent appropriations to ensure such appropriations do not exceed certified resources. Council should not authorize appropriations in excess of the certificate of estimated resources.

Officials' Response: We will follow your recommendation.

VILLAGE OF AMANDA
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-006

MATERIAL NONCOMPLIANCE

Village Ordinance 92-9 Section 6(B)(3) requires the establishment of a Reserve Fund. From the balance of income and revenues deposited into the Sewer and Debt Service Funds, the ordinance requires the sum of \$452.50 to be deposited each month into a Reserve Fund until \$54,300 has been accumulated in the Reserve Fund.

In addition, with the approval of the FmHA, the Reserve is to be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the sewer system, and when necessary, for the purpose of making payments of principal and interest on the bonds if the amount in the Debt Service Fund is not sufficient to meet such payments.

The Reserve Fund has not been established in direct violation of the debt covenants. The lack of following the provisions of Ordinance 92-9 could result in the entire indebtedness to become due.

We recommend the Reserve Fund be established by Council. In addition, we recommend that management review Ordinance 92-9 for details concerning the debt covenant requirement provisions.

Officials' Response: We are moving the reserve fund into a new fund.

FINDING NUMBER 2004-007

MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

The Village advanced \$27,923 from the Debt Service Fund to the General Fund and then from the General Fund to the Sewer Fund during 2003. These advances are in violation of the above requirement because the advancing funds are restricted as to their use.

We recommend Village management review Auditor of State Bulletin 97-003 and the *Ohio Compliance Supplement* for details concerning allowable advance provisions prior to advancing funds.

The financial statements and Village accounting records have been adjusted to remove these illegal advances between the funds.

Officials' Response: We have reviewed the State Bulletin 97-003 and the Ohio Compliance Supplement.

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-008

MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.04 requires taxes received to be credited into specific funds. Ohio Rev. Code Section 5705.10 states in part that all revenue derived from a source which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for that purpose.

Real and personal property taxes in the amounts of \$10,802 in 2004 and \$289 in 2003 and gasoline taxes in the amounts of \$13,261 in 2004 and \$3,928 in 2003 due to the Street Construction, Maintenance, and Repair Fund were allocated to the General Fund.

Lack of proper allocation of taxes and intergovernmental receipts could allow restricted funds to be used for improper purposes.

We recommend the Fiscal Officer utilize supporting documentation provided (i.e. settlement sheets, or other documentation provided by the payer) when posting receipts to ensure they are posted to the proper line item and fund.

The financial statements and Village accounting records have been adjusted to reflect these revenues in the correct funds.

Officials' Response: We will follow your recommendation.

FINDING NUMBER 2004-009

MATERIAL WEAKNESS/REPORTABLE CONDITION

Complete and accurate monthly reconciliations should be prepared each month in a timely manner for all Village accounts. In addition, these reconciliations should be reviewed and approved by the Administrator, Mayor, and/or Council Members. The reviewer should review the reconciliation, along with supporting documentation such as fund balance reports, outstanding check lists, details of reconciling items, and sign or initial the reconciliation as evidence of the review and approval.

Reconciliations were not prepared in a complete, accurate, or timely manner during 2003 and 2004. The Clerk/Treasurer did not properly post the audit adjustments from the 2002 audit, made numerous inaccurate accounting entries, fund balances adjustments, and correcting entries to the accounting system making reconciliation of the accounts very difficult. In addition, there was no evidence that reconciliations were reviewed by the Administrator, Mayor or Council Members.

The lack of preparing accurate and complete bank reconciliations allows errors or irregularities to go undetected and increases the risk of fraud. The lack of reviewing bank reconciliations allows for errors or unresolved reconciling items to go undetected and be carried forward.

We recommend the Village establish procedures to ensure the monthly bank reconciliations are prepared in an accurate, complete, and timely manner. The Fiscal Officer should ensure this reconciliation is completed and should resolve any reconciling differences and post those in the accounting system if necessary. We also recommend the monthly reconciliations, along with supporting documentation, be reviewed for completeness, accuracy, and to ensure that balances agree with the accounting records. The reviewer should sign or initial reconciliations as evidence of their review.

Officials' Response: We have followed your recommendation.

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-010

MATERIAL WEAKNESS/REPORTABLE CONDITION

The Village should maintain the following utility records:

1. Consumption Report that reflects meter readings for each customer,
2. Pre-Billing Calculation that reflects each customers monthly utility bill, including penalties for late payments, and delinquencies,
3. Utility Trial Balance that reflects each customer's beginning balance, delinquencies, payments, penalties, adjustments, current month's charges, and current balance,
4. New Charge Journal that reflects the total billed to each customer,
5. Billing stubs,
6. Utility Cash Receipts Journal that reflects customer payments,
7. Penalty Journal that reflects penalties assessed to customer accounts, and
8. Delinquency Report that reflects customer delinquencies.

These records were not maintained by the Fiscal Officer for January to June of 2003 and could not be reproduced. The lack of maintaining these records resulted in the qualification of our opinion in the financial statements.

We recommend that procedures are developed to periodically review these records to help ensure they are available, accurate, and complete. Monitoring procedures should be developed for reviewing and approving utility reports and sign or initial them as evidence of review.

Officials' Response: We have implemented the recommended procedures.

FINDING NUMBER 2004-011

REPORTABLE CONDITION

Council should monitor the financial activities of the Village that affect the financial operations of the Village, including:

- agreeing receipts and expenditures to amounts posted in revenue and expenditure reports and to monthly bank reconciliations
- comparing estimated receipts posted in the accounting system to amended certificates approved by Council and the county budget commission
- comparing appropriations posted in the accounting system to appropriations approved by Council.

The lack of regularly monitoring of receipts, expenditures, and approved budgets limits Council's ability to effectively monitor the Village's financial activities to make sound financial decisions.

We recommend the Council regularly review the financial activities of the Village.

Officials' Response: We do review it, but will start to sign off on it.

**VILLAGE OF AMANDA
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Section 5705.36 (A)(1) – certifying available funds to County Auditor	No	Repeated as Finding 2004-002.
2002-001	ORC Section 5705.41 (D) – certifying funds	No	Repeated as Finding 2004-001.
2002-003	ORC Section 731.14 – bidding	Yes	
2002-004	ORC Section 5705.41 (B) – expenditures exceeding appropriations	No	Repeated as Finding 2004-003
2002-005	For preparing bank reconciliations	No	Repeated as Finding 2004-009.



Mary Taylor, CPA
Auditor of State

VILLAGE OF AMANDA

FAIRFIELD 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
MAY 10, 2007