



Mary Taylor, CPA
Auditor of State

VILLAGE OF KETTLERSVILLE
SHELBY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	18

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Mary Taylor, CPA
Auditor of State

Village of Kettlersville
Shelby County
PO Box 144
Kettlersville, Ohio 45336

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 an 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 adverse 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

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Auditor of State

June 29, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Kettlersville
Shelby County
PO Box 144
Kettlersville, Ohio 45336

To the Village Council:

We have audited the accompanying financial statements of the Village of Kettlersville, Shelby County, (the Village), as of and for the years ended December 31, 2008 and 2007. 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. 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Kettlersville, Shelby County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 29, 2009, 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.

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

Mary Taylor, CPA
Auditor of State

June 29, 2009

**VILLAGE OF KETTLERSVILLE
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$5,255		\$5,255
Intergovernmental	18,091	\$8,084	26,175
Fines, Licenses and Permits	635		635
Earnings on Investments	818		818
Miscellaneous	4,971		4,971
Total Cash Receipts	<u>29,770</u>	<u>8,084</u>	<u>37,854</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	579		579
Public Health Services	2,256		2,256
Community Environment		465	465
Transportation	5,034	5,924	10,958
General Government	19,336		19,336
Capital Outlay	6,925		6,925
Total Cash Disbursements	<u>34,130</u>	<u>6,389</u>	<u>40,519</u>
Total Receipts Over/(Under) Disbursements	<u>(4,360)</u>	<u>1,695</u>	<u>(2,665)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		500	500
Transfers-Out	(500)		(500)
Total Other Financing Receipts / (Disbursements)	<u>(500)</u>	<u>500</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,860)	2,195	(2,665)
Fund Cash Balances, January 1	<u>33,373</u>	<u>34,937</u>	<u>68,310</u>
Fund Cash Balances, December 31	<u><u>\$28,513</u></u>	<u><u>\$37,132</u></u>	<u><u>\$65,645</u></u>

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

**VILLAGE OF KETTLERSVILLE
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$5,902			\$5,902
Intergovernmental	17,042	\$8,497	\$15,000	40,539
Fines, Licenses and Permits	250			250
Earnings on Investments	804			804
Miscellaneous	2,551			2,551
Total Cash Receipts	<u>26,549</u>	<u>8,497</u>	<u>15,000</u>	<u>50,046</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	579			579
Public Health Services	8,821		15,000	23,821
Transportation	3,373	153		3,526
General Government	18,200			18,200
Total Cash Disbursements	<u>30,973</u>	<u>153</u>	<u>15,000</u>	<u>46,126</u>
Total Receipts Over/(Under) Disbursements	<u>(4,424)</u>	<u>8,344</u>		<u>3,920</u>
Fund Cash Balances, January 1	<u>37,797</u>	<u>26,593</u>		<u>64,390</u>
Fund Cash Balances, December 31	<u><u>\$33,373</u></u>	<u><u>\$34,937</u></u>	<u><u>\$0</u></u>	<u><u>\$68,310</u></u>

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

**VILLAGE OF KETTLERSVILLE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Kettlersville, Shelby County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services and road maintenance and repair. The Village contracts with Van Buren Township to receive fire protection services.

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

B. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village maintains an interest bearing checking account, savings account, and a certificate of deposit, all of which are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than 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 KETTLERSVILLE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project fund:

Sewer Fund – This fund accounts for the proceeds and expenditures of a CDBG grant for a sewer improvement project. There was no activity in this fund for 2008.

E. Budgetary Process

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

1. Appropriations

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$51,873	\$55,195
Certificates of deposit	13,772	13,115
Total deposits	<u>\$65,645</u>	<u>\$68,310</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF KETTLERSVILLE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,800	\$29,770	\$2,970
Special Revenue	8,103	8,584	481
Total	<u>\$34,903</u>	<u>\$38,354</u>	<u>\$3,451</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,500	\$34,630	\$5,870
Special Revenue	35,070	6,389	28,681
Total	<u>\$75,570</u>	<u>\$41,019</u>	<u>\$34,551</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,490	\$26,549	\$4,059
Special Revenue	4,975	8,497	3,522
Capital Projects	15,000	15,000	
Total	<u>\$42,465</u>	<u>\$50,046</u>	<u>\$7,581</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,200	\$30,973	\$17,227
Special Revenue	24,070	153	23,917
Capital Projects	15,000	15,000	
Total	<u>\$87,270</u>	<u>\$46,126</u>	<u>\$41,144</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF KETTLERSVILLE
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5 percent, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85 percent, respectively, of participants' gross salaries. The Village had not paid its OPERS obligation related to 2008 payroll as of December 31, 2008.

B. Social Security

Officials not contributing to OPERS contribute to Social Security. For 2008 and 2007, employees contributed 6.2 percent of their gross salaries, and the Village contributed an amount equal to 6.2 percent of participant's gross salaries through December 31, 2008. The Village had not paid its Social Security obligation related to 2008 payroll as of December 31, 2008.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.



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 Kettlersville
Shelby County
PO Box 144
Kettlersville, Ohio 45336

To the Village Council:

We have audited the financial statements of the Village of Kettlersville, Shelby County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 29, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-004 and 2008-006 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-004 and 2008-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 29, 2009.

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 item 2008-001 through 2008-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 29, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 29, 2009

VILLAGE OF KETTLERSVILLE
SHELBY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Finding Repaid Under Audit – Compensation Overpayment

Ohio Rev. Code Section 731.13 requires that the legislative authority of a village shall fix the compensation of all officers, clerks, and employees of the village except as otherwise provided by law.

The Village Council approved the compensation of the Fiscal Officer at \$2,000 per year. During 2008, the Fiscal Officer was paid \$2,170 in compensation. In addition, the Village Council had approved the mileage reimbursement rate at \$.42 per mile on January 3, 2006. The Fiscal Officer was reimbursed for mileage at varying rates in excess of the approved rate during both 2007 and 2008. This resulted in payments in excess of the allowable rate in the total amount of \$53.

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 rendered against Fiscal Officer Jo Bolheimer and her bonding company, The Cincinnati Insurance Company, jointly and severally, in the total amount of \$223 and in the favor of the Village of Kettlersville treasury.

Client Response:

The Fiscal Officer repaid the amount of \$53 on July 10, 2009, on check number 1747, and receipt number 1432 which was deposited on July 10, 2009. The amount of \$170 was repaid on July 13, 2009, on check number 1748, which was deposited on July 14, 2009

FINDING NUMBER 2008-002

Finding Repaid Under Audit – Compensation Overpayment

Ohio Rev. Code Section 731.13 requires that the legislative authority of a village shall fix the compensation of all officers, clerks, and employees of the village except as otherwise provided by law.

The Village Council approved the compensation of the Mayor at \$600 per year; however, during 2008, the Mayor was paid \$765 in salaries and wages.

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 rendered against Mayor Ben Bowsher, in the total amount of \$165 and in the favor of the Village of Kettlersville treasury.

Client Response:

The Mayor repaid the amount of \$165 on July 10, 2009, on check number 796 and receipt number 1431 which was deposited on July 10, 2009.

FINDING NUMBER 2008-003

Finding Repaid Under Audit – Compensation Overpayment

Ohio Rev. Code Section 731.13 requires that the legislative authority of a village shall fix the compensation of all officers, clerks, and employees of the village except as otherwise provided by law.

The Village Council approved the compensation of Village Council Members at \$30 per meeting attended. During 2007 and 2008, Council Member Charles Moeller attended 17 meetings, which should have resulted in a total payment of \$510; however, Mr. Moeller was paid \$615.

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 rendered against Council Member Charles Moeller, in the amount of \$105 and in the favor of the Village of Kettlersville treasury.

Client Response:

The Council Member repaid the amount of \$105 on July 10, 2009, on receipt number 1432 which was deposited on July 10, 2009.

FINDING NUMBER 2008-004

Non-Compliance/Material Weakness – Financial Statement Reporting

Ohio Rev. Code Section 117.38 requires cash-basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end. The report shall contain the amount of collections and receipts, and accounts due from each source; the amount of expenditures for each purpose; and the amount of public debt, the purpose for which such debt was created, and the provision made for the payment thereof.

Although, the Village filed its cash-basis financial statements in a timely manner for 2007 and 2008, the financial statements were clearly and significantly deficient for both years. The revenue and expenditure line items were materially misstated; the financial statements contained mathematical errors; and the totals from the combining statement did not agree to the combined statement. In addition, the cash journal, receipt ledger, and appropriation ledger contained various errors and did not inter-balance.

The largest classifications were intergovernmental revenue and property taxes and contained various errors. The audited general fund financial statements for 2008 reported property taxes in the amount of \$5,255 and intergovernmental revenue in the amount of \$18,091, but the filed 2008 general fund financial statements reported property taxes in the amount of \$14,159 and intergovernmental revenue in the amount of \$14,517. The audited general fund financial statements for 2007 reported property taxes in the amount of \$5,902 and intergovernmental revenue in the amount of \$17,042, but the filed 2007 general fund financial statements reported property taxes in the amount of \$22,351 and intergovernmental revenue in the amount of \$0. In addition, property tax revenue had been posted at the net amount instead of posting the gross revenue amount less the applicable county auditor and treasurer fees. The amount of error was \$712 in 2008 and \$730 in 2007.

**FINDING NUMBER 2008-004
(Continued)**

The accompanying financial statements have been adjusted to correct the various errors, including the errors discussed above. The financial information presented to the Village Council is used to make financial decisions and monitor budgetary compliance. In order for sound financial decisions to be made, all financial information should be accurate.

The Village should review the Auditor of State's Village chart of accounts to determine the proper classification for all revenues and expenditures and financial transactions should be posted to the records and subsequently to the financial statements accordingly. The cash journal should be reconciled to the receipt ledger and appropriation ledger monthly to verify information is accurately reported and the ledgers inter-balance. Fund balances on the annual report should be reconciled to the bank balance and the cash journal balance. The combining statement totals should agree to the combined statement and there should be no mathematical errors in the financial statements. In addition, Property tax revenues should be posted at gross and the auditor and treasurers fees posted as expenditures.

Client Response:

The client chose not to respond to the above comment.

FINDING NUMBER 2008-005

Non-Compliance – Prior Certification of Obligations

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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – 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 of less than \$3,000, 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 expenditures by the Village.

**FINDING NUMBER 2008-005
(Continued)**

2. **Blanket certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. 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 one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for almost 100 percent of expenditures in 2008 and 2007, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds could result in overspending 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 that the Village’s Fiscal Officer certify that the funds are available prior to the obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Client Response:

The client chose not to respond to the above comment.

FINDING NUMBER 2008-006

Material Weakness – Monitoring of Financial Activity

The Village Council approved bills to be paid at each Council meeting and fund balances were printed in the minutes. However, the bills approved to be paid were not listed in the minutes. Also, there was no evidence of any other financial monitoring being performed by the Village Council. Although, the revenue ledgers were broken down by account, the budgeted revenue amounts according to the certificate of estimated resources were not entered into the revenue ledger. Therefore, it was not possible for budget versus actual revenue monitoring to be performed.

Failure to review and approve financial activity on a monthly basis could lead to errors or irregularities occurring and not detected timely. Expenditures could be made in excess of available resources and deficit spending could occur.

The Village Council should review budget versus actual information, bank statements and bank reconciliations on a monthly basis. The monitoring of revenue would require the estimated revenues from the certificate of estimated resources to be entered into the appropriate revenue ledgers.

In addition, the bills approved by Council should be listed in the minutes. The expenditures should be compared to the appropriate line item appropriation to determine that expenditures were within the appropriations. These would serve as important tools in monitoring the financial stability of the Village and in the detection and prevention of errors. The review and approval of such information should be documented in the Council minutes.

Client Response:

The client chose not to respond to the above comment.

**VILLAGE OF KETTLERSVILLE
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code Section 5705.41(D) Failure to certify the availability of funds prior to entering into purchase commitments.	No	Repeated as Finding 2008-005
2006-002	Ohio Rev. Code Section 5705.41(B) Expenditures in excess of appropriations.	Partially Corrected	Repeated in Management Letter
2006-003	Inaccurate Financial Statements	No	Repeated as Finding 2008-004



Mary Taylor, CPA
Auditor of State

VILLAGE OF KETTLERSVILLE

SHELBY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2009**