



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MONTEZUMA
MERCER COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Montezuma
Mercer County
69 West Main Street
PO Box 178
Montezuma, OH 45866

To the Village Council:

We have audited the accompanying financial statements of the Village of Montezuma (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As stated in Note 8, the Village was placed in Fiscal Watch by the Auditor of State on April 24, 2000 in accordance with Ohio law. As stated in Note 9, a special election is scheduled to consider surrender of the Village's corporate powers.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Jim Petro
Auditor of State

June 12, 2002

**VILLAGE OF MONTEZUMA
MERCER 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>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,901	\$568		\$5,469
Intergovernmental Receipts	28,676	7,045	2,188	37,909
Fines, Licenses, and Permits	35			35
Earnings on Investments	107	77	153	337
Miscellaneous	342		8,060	8,402
Total Cash Receipts	<u>34,061</u>	<u>7,690</u>	<u>10,401</u>	<u>52,152</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	2,693			2,693
Leisure Time Activities	305			305
Community Environment	523			523
Transportation	56	4,036		4,092
General Government	16,187			16,187
Capital Outlay			3,079	3,079
Total Cash Disbursements	<u>19,764</u>	<u>4,036</u>	<u>3,079</u>	<u>26,879</u>
Total Receipts Over Disbursements	<u>14,297</u>	<u>3,654</u>	<u>7,322</u>	<u>25,273</u>
Other Financing Receipts and (Disbursements):				
Advances-In	50	50		100
Advances-Out	(50)	(50)		(100)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	14,297	3,654	7,322	25,273
Fund Cash Balances, January 1	<u>(668)</u>	<u>5,897</u>	<u>2,350</u>	<u>7,579</u>
Fund Cash Balances, December 31	<u><u>\$13,629</u></u>	<u><u>\$9,551</u></u>	<u><u>\$9,672</u></u>	<u><u>\$32,852</u></u>
Reserves for Encumbrances, December 31	<u><u>\$115</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$115</u></u>

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

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$5,080	\$638		\$5,718
Intergovernmental Receipts	23,851	8,003		31,854
Earnings on Investments	77	32		109
Miscellaneous	1,772		2,350	4,122
Total Cash Receipts	<u>30,780</u>	<u>8,673</u>	<u>2,350</u>	<u>41,803</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	8,078			8,078
Community Environment	1,286			1,286
Transportation	808	3,829		4,637
General Government	22,278			22,278
Total Cash Disbursements	<u>32,450</u>	<u>3,829</u>	<u>0</u>	<u>36,279</u>
Total Receipts Over/(Under) Disbursements	<u>(1,670)</u>	<u>4,844</u>	<u>2,350</u>	<u>5,524</u>
Other Financing Receipts and (Disbursements):				
Other Financing Sources	4,388			4,388
Advances-In	1,925	1,925		3,850
Other Financing Uses		(4,388)		(4,388)
Advances-Out	(1,925)	(1,925)		(3,850)
Total Other Financing Receipts/(Disbursements)	<u>4,388</u>	<u>(4,388)</u>	<u>0</u>	<u>0</u>
Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,718	456	2,350	5,524
Fund Cash Balances, January 1	(3,386)	5,441	0	2,055
Fund Cash Balances, December 31	<u>(\$668)</u>	<u>\$5,897</u>	<u>\$2,350</u>	<u>\$7,579</u>
Reserves for Encumbrances, December 31	<u>\$135</u>	<u>\$0</u>	<u>\$0</u>	<u>\$135</u>

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

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Montezuma, Mercer County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, park operations (leisure time activities), and fire protection. The Village contracts with the Mercer County Sheriff's department to provide security of persons and property. The Village contracts with Mercer County Emergency Ambulance for ambulance 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 and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue 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 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 MONTEZUMA
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

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

Park Project Fund - This fund receives monies from the state and donations. This revenue is being used to construct a new boat docking area and seawall.

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 or function, 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. 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 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	<u>\$32,852</u>	<u>\$7,579</u>

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

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,531	\$34,061	(\$470)
Special Revenue	8,650	7,690	(960)
Capital Projects	56,358	10,401	(45,957)
Total	\$99,539	\$52,152	(\$47,387)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$24,100	\$19,879	\$4,221
Special Revenue	13,778	4,036	9,742
Capital Projects	58,708	3,079	55,629
Total	\$96,586	\$26,994	\$69,592

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,700	\$35,168	\$7,468
Special Revenue	8,800	8,673	(127)
Capital Projects	0	2,350	2,350
Total	\$36,500	\$46,191	\$9,691

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$25,060	\$32,585	(\$7,525)
Special Revenue	2,900	8,217	(5,317)
Total	\$27,960	\$40,802	(\$12,842)

Contrary to Ohio law, all expenditures paid during 2001 and 2000 were made without proper certification by the Clerk. Also, contrary to Ohio law, total appropriations exceeded estimated resources during 2000 in the General Fund by \$17,423, Street Maintenance and Repair Fund by \$1,504 and in the Permissive Fund by \$7,913. In addition, contrary to Ohio law, money was expended without being appropriated during 2001 in the State Highway Fund by \$90, and during 2000 in the General Fund by \$13,970, Street Construction Maintenance and Repair Fund by \$5,135, State Highway by \$1,169, and Permissive Fund by \$9,505.

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

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

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. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Inland marine

7. CONTRACTUAL OBLIGATIONS

The Village had entered into the following contractual commitments as of December 31, 2001:

Shinn Bros.	Park Project – Phase I	\$32,361
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**VILLAGE OF MONTEZUMA
MERCER COUNTY**

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

8. FISCAL WATCH

On April 24, 2000, the Auditor of State declared the Village of Montezuma to be in a state of fiscal watch under Section 118.022, Ohio Revised Code. This declaration accompanies a determination of net fund balance deficits or other adverse fiscal conditions. When under fiscal watch, the Village is eligible for certain technical and support services, to be paid by the State Controlling Board. At December 31, 1999, the Village had deficit fund balances as follows:

General Fund (\$3,386)	Street Maintenance & Repair Fund	(\$1,607)
------------------------	----------------------------------	-----------

The Village has been placed on fiscal watch based upon meeting the following fiscal watch conditions: a) the deficit in the General Fund exceeds one-twelfth of the general fund budget as of December 31, 1999; and b) the treasury balance less the positive fund balances exceeds one-twelfth of the treasury receipts as of December 31, 1999.

9. SUBSEQUENT EVENTS

On April 10, 2002, the State Auditors office released the Village from the fiscal watch status.

The Village of Montezuma received a petition requesting that the question of surrender of corporate powers be placed on the ballot. The Council for the Village adopted an ordinance on May 18, 2002 requesting a special election for the surrender of corporate powers. After the presentation of the petition, the Village Council did not have the ability to create new liabilities until the result of the election is declared, or thereafter, if the result is in favor of the surrender of corporate powers. Due and unpaid taxes may be collected after the surrender, and all moneys or property remaining after the surrender belongs to the township. A special election is scheduled for August 6, 2002 to consider the issue to surrender its corporate powers and cause the municipality to become part of Franklin Township.

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OFFICE OF THE AUDITOR**

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One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Village of Montezuma
Mercer County
69 West Main Street
PO Box 178
Montezuma, OH 45866

To the Village Council:

We have audited the accompanying financial statements of the Village of Montezuma, Mercer County ("the Village"), as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated June 12, 2002, wherein we noted that the Village was placed on fiscal watch and the Village is considering surrender of corporate powers. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of finding as items 2001-30254-001 to 2001-30254-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-30254-005.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 12, 2002.

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

June 12, 2002

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

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

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

FINDING NUMBER 2001-30254-001

Ohio Rev. Code Sections 733.28 and 733.43 state that the Village clerk/treasurer shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all property owned by the Village and the income derived there from, and of all taxes and assessments. **Ohio Rev. Code Section 5705.10** states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made and shall be used for the specific purposes for which a fund has been established. During 2000 and 2001, the Village did not accurately report all expenditures for mowing and removal of Christmas decorations in the correct fund and line item, as a result an adjustment was required to reduce the expenditures in the Street Construction Maintenance and Repair (Street) Fund and report these expenditures in the General Fund. In addition to those requiring fund adjustments, several expenditures during 2000 and 2001 required reclassification within the same fund to an appropriate line item. Also during 2000, the Village receipted permissive tax moneys into the Street Fund and the State Highway Fund rather than the Permissive Fund and receipted a Homestead and Rollback receipt in the Street Fund and State Highway Fund rather than the General Fund. As of result of the errors, the following adjustment was required to be made to the fund balances of the Village and appropriate receipt and disbursement line items:

General	(\$1,734)
Street Construction Maintenance and Repair Fund	1,698
State Highway Fund	(350)
Permissive Fund	386

The financial statements have been adjusted to correct these errors and the adjustments have been posted to the records of the Village.

The Village should refer to the Village handbook and UAN manual to assure that transactions are posted to the correct fund and line item.

FINDING NUMBER 2001-30254-002

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. 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.

The Village did not obtain amended certificates of estimated resources during 2001 and 2000 to reflect the prior audit period's audit adjustments, additional revenue, and advances out/in. The Village also did not pass supplemental appropriations to reduce/increase the original appropriations to be in compliance with the actual, but uncertified estimated resources. Based upon this, appropriations exceeded estimated resources during 2000 for the General Fund by \$17,423, Street Fund by \$1,504, and Permissive Fund by \$7,913.

The Village should monitor the relationship between appropriations and estimated resources and obtain, as needed, amended certificates of estimated resources and pass supplemental appropriation measures to ensure that appropriations do not exceed estimated resources.

FINDING NUMBER 2001-30254-003

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

During 2001, actual expenditures exceeded appropriations in the State Highway Fund by \$90. During 2000, actual expenditures exceeded appropriations in the General Fund by \$13,970, Street Fund by \$5,135, State Highway by \$1,169, and Permissive Fund by \$9,505.

The Village should monitor budget appropriations versus actual expenditures and pass a supplemental appropriation measure as needed and as supported by available and/or estimated resources.

FINDING NUMBER 2001-30254-004

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the village must approve of such payment within 30 days of the date of the fiscal officer's certification.

For all expenditures during 2001 and 2000, the purchase of goods and services preceded the certification of funds. In addition, there was no evidence of a "Then and Now" certificate, as allowed per Revised Code, when prior certification was not obtained.

The Village should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds. The Village should obtain the required certification prior to obligating funds when practicable. The exceptions should be used when prior certification is not practicable.

FINDING NUMBER 2001-30254-005

Advances

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 and to provide the necessary "seed" for grants that are allocated on a reimbursement basis. The intent for this type of cash advance is to require repayment within the current or succeeding year. Inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- 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;

FINDING NUMBER 2001-30254-005
(Continued)

- 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 which must include:
 - 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 had advances posted as transfers. The minutes did not note Council's approval of the advances or repayments of the advances in the minutes. There were advances made from Special Revenue Funds to the General Fund with no indication that the money was to be used for a restrict purpose. There were no changes noted to the certificate of estimated resources or appropriation resolution noting the advance.

The Village should have procedures in place to approve all advances and the repayment of the advances. The approval of the advances and repayments should be documented in the minutes of the Village. An amended certificate of estimated resources should be obtained to reflect the reduced fund balance in the creditor fund and the increased fund balance in the debtor fund. Creditor fund appropriations must be evaluated based on the reduced estimated resources, and appropriation reductions may be required. Prior to obligation of advanced funds the debtor fund must have sufficient appropriations to cover the anticipated expenditures.

**VILLAGE OF MONTEZUMA
MERCER COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30254-001	117.38 Ohio Rev. Code Filing financial reports	Yes	
1999-30254-002	5705.10 Ohio Rev. Code Negative fund balances	Yes	
1999-30254-003	5705.36 Ohio Rev. Code request amended certificates	No	Partially corrected, see management letter
1999-30254-004	5705.38 Ohio Rev. Code Appropriation measure passed	Yes	
1999-30254-005	5705.39 Ohio Rev. Code Appropriations exceed the total estimated resources	No	Repeated as 2001-30254-002
1999-30254-006	5705.41(B) Ohio Rev. Code Expenditures exceed appropriations	No	Repeated as 2001-30254-003
1999-30254-007	5705.41(D) Ohio Rev. Code Prior certification of funds	No	Repeated as 2001-30254-004
1999-30254-008	117-5-09, 10, and 11 Ohio Admin. Code Required journals	Yes	
1999-30254-009	Training and Accounting Records	Yes	
1999-30254-010	Segregation of duties	No	Partially corrected, see management letter



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF MONTEZUMA

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 6, 2002**