



**Auditor of State
Betty Montgomery**

VILLAGE OF COLLEGE CORNER
PREBLE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of College Corner
Preble County
P.O. Box 462
College Corner, Ohio 45003

To the Village Council:

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

The Village's financial transactions were processed using 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 conduct the audit of 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 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 generally accepted accounting principles.

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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

September 8, 2004

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$16,125	\$10,072	\$26,197
Intergovernmental Receipts	40,517	16,193	56,710
Charges for Services	1,790		1,790
Fines, Licenses, and Permits	1,527		1,527
Earnings on Investments	5,247	449	5,696
Miscellaneous	1,747	50	1,797
 Total Cash Receipts	 66,953	 26,764	 93,717
Cash Disbursements:			
Current:			
Security of Persons and Property	34,381	4,250	38,631
Public Health Services	488		488
Basic Utility Services	1,105		1,105
Transportation		9,823	9,823
General Government	33,480		33,480
Capital Outlay		10,676	10,676
 Total Cash Disbursements	 69,454	 24,749	 94,203
 Total Receipts Over/(Under) Disbursements	 (2,501)	 2,015	 (486)
 Fund Cash Balances, January 1	 99,055	 49,986	 149,041
 Fund Cash Balances, December 31	 \$96,554	 \$52,001	 \$148,555
 Reserves for Encumbrances, December 31	 \$51	 \$0	 \$51

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

VILLAGE OF COLLEGE CORNER
PREBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Cash Receipts:	
Charges for Services	<u>\$116,726</u>
Total Operating Cash Receipts	<u>116,726</u>
Operating Cash Disbursements:	
Personal Services	15,273
Fringe Benefits	362
Contractual Services	31,299
Supplies and Materials	7,581
Capital Outlay	<u>49,819</u>
Total Operating Cash Disbursements	<u>104,334</u>
Operating Income	<u>12,392</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>15,141</u>
Total Non-Operating Cash Disbursements	<u>15,141</u>
Net Receipts (Under) Disbursements	(2,749)
Fund Cash Balances, January 1	<u>201,462</u>
Fund Cash Balances, December 31	<u><u>\$198,713</u></u>
Reserve for Encumbrances, December 31	<u><u>\$50</u></u>

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

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$14,042	\$7,577		\$21,619
Intergovernmental Receipts	42,413	22,628	\$57,173	122,214
Fines, Licenses, and Permits	312			312
Earnings on Investments	8,506	311		8,817
Miscellaneous		6		6
	<u>65,273</u>	<u>30,522</u>	<u>57,173</u>	<u>152,968</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	29,592	7,337		36,929
Public Health Services	338			338
Basic Utility Services	7,300			7,300
Transportation	28	34,807		34,835
General Government	35,577	107		35,684
Capital Outlay	37,291	34,428	57,173	128,892
	<u>110,126</u>	<u>76,679</u>	<u>57,173</u>	<u>243,978</u>
Total Receipts (Under) Disbursements	<u>(44,853)</u>	<u>(46,157)</u>	<u>0</u>	<u>(91,010)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		10,000		10,000
Transfers-Out	(10,000)			(10,000)
	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(54,853)	(36,157)	0	(91,010)
Fund Cash Balances, January 1	153,908	86,143	0	240,051
Fund Cash Balances, December 31	<u>\$99,055</u>	<u>\$49,986</u>	<u>\$0</u>	<u>\$149,041</u>

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

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

Operating Cash Receipts:	
Charges for Services	\$98,712
Miscellaneous	<u>5,164</u>
Total Operating Cash Receipts	<u>103,876</u>
Operating Cash Disbursements:	
Personal Services	14,006
Fringe Benefits	1,208
Contractual Services	1,781
Supplies and Materials	5,983
Capital Outlay	<u>117,364</u>
Total Operating Cash Disbursements	<u>140,342</u>
Operating Loss	<u>(36,466)</u>
Non-Operating Cash Disbursements:	
Debt Service	19,732
Other Non-Operating Cash Disbursements	<u>109</u>
Total Non-Operating Cash Disbursements	<u>19,841</u>
Excess of Receipts (Under) Disbursements	(56,307)
Fund Cash Balances, January 1	<u>257,769</u>
Fund Cash Balances, December 31	<u><u>\$201,462</u></u>
Reserve for Encumbrances, December 31	<u><u>\$2</u></u>

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

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of College Corner, Preble County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities and road repairs. The Village contracts with the Butler County Sheriff's department to provide security of persons and property. The Village contracts with the Village of West College Corner to provide 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 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 Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Fire Fund -This fund receives money from real estate and personal property taxes to provide for the protection of area citizens.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

Street Improvement Fund - This fund was used to account for street improvement monies spent by the Butler County Department of Development on the Village's behalf for the County's capital improvement program.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 DEPOSITS

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

	2003	2002
Demand deposits	\$204,606	\$150,498
Certificates of deposit	142,662	200,005
Total deposits	347,268	350,503

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

The Village maintained its depository account and some certificate of deposits in a bank located in Indiana, which is not an eligible depository under Ohio law.

At December 31, 2003, \$144,934 of deposits were not insured or collateralized, contrary to Ohio law. At December 31, 2002, \$103,661 of deposits were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$66,953	\$66,953
Special Revenue	0	26,764	26,764
Enterprise	0	116,726	116,726
Total	\$0	\$210,443	\$210,443

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$69,505	(\$69,505)
Special Revenue	0	24,749	(24,749)
Enterprise	0	119,525	(119,525)
Total	\$0	\$213,779	(\$213,779)

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$65,272	\$65,272
Special Revenue	0	40,522	40,522
Capital Projects	0	57,173	57,173
Enterprise	0	103,876	103,876
Total	\$0	\$266,843	\$266,843

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$120,126	(\$120,126)
Special Revenue	0	76,679	(76,679)
Capital Projects	0	57,173	(57,173)
Enterprise	0	160,183	(160,183)
Total	\$0	\$414,161	(\$414,161)

Contrary to Ohio law, the Village Council did not pass temporary or permanent appropriation measures for fiscal years 2002 and 2003. This caused expenditures to exceed appropriations in all funds.

Contrary to Ohio law, the Village Council did not certify to the county auditor the total amount from all sources which is available for expenditures.

The Village did not record or appropriate grant funds of \$57,173 received on their behalf through Butler County for the Capital Improvements Program during fiscal year 2002, which is contrary to Ohio law.

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.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	78,000	5%
Total	\$78,000	

The United States Department of Agriculture (USDA) mortgage revenue bonds were for the construction of sanitary sewers. In 1973 the USDA approved and the Village issued \$207,000 in mortgage revenue bonds for this project. The bonds are being repaid in annual installments of varying amounts, the minimum of \$10,450 and the maximum of \$11,600 including interest, over 40 years.

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

	Mortgage Revenue Bonds
Year ending December 31:	
2004	\$11,250
2005	10,900
2006	11,550
2007	11,150
2008	10,750
2009-2013	54,200
Total	\$109,800

6. RETIREMENT SYSTEMS

Some elected officials and part-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. For 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. COMPLIANCE

The Village did not retain or provide all records.

9. SUBSEQUENT EVENTS

In February 2004, the Village paid \$16,327 to the Southwest Regional Water District for monies received in 2003 in excess of the amount that should have been received. The original receipt is included in the Enterprise Fund financial statements as charges for services for 2003.



Auditor of State Betty Montgomery

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

Village of College Corner
Preble County
P.O. Box 462
College Corner, Ohio 45003

To the Village Council:

We have audited the accompanying financial statements of the Village of College Corner, Preble County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 8, 2004. We noted that the Village's financial transactions were processed using 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 conduct the audit of 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 *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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 8, 2004.

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 for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-004.

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 do not believe the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Village's management in a separate letter dated September 8, 2004.

This report is intended solely 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 8, 2004

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42, Revised Code.

During the audit period, the Village did not provide complete documentation of the following items:

- Documentation from the County Budget Commission that waives the subdivisions requirement to file a tax budget for fiscal years 2002 and 2003;
- Certificates of the total amount from all sources which is available for expenditures from each fund for fiscal years 2002 and 2003;
- Invoices in twenty percent of items tested (for which we were able to satisfy ourselves through other procedures);
- Time sheets;
- Minutes for early 2002

Failure to properly retain documents leads to lack of accountability and inability of management to monitor compliance and controls, and increases the risk of undetected theft or fraud.

We recommend that all documents and records be retained by the Village.

FINDING NUMBER 2003-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), * requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

FINDING NUMBER 2003-002
(Continued)

- A. Then and Now Certificates – If no certificate is furnished upon receipt as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than \$1,000 (\$3,000 as of April 7, 2003), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for 45% of expenditures tested. We could not determine if 25% of additional expenditures were properly certified because (1) the invoice was not dated, or (2) the invoice was missing. Expenditures were determined to be proper public purpose through additional means of testing.

Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the Village properly utilize the encumbrance method of accounting by obtaining approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. All original invoices should be maintained.

FINDING NUMBER 2003-003

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.38, 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 April 1.

Village Council did not pass a temporary or permanent appropriation measure for fiscal years 2002 and 2003. Failure to properly approve appropriation measures could result in overspending funds and negative cash balances.

We recommend that Village Council approve appropriations as required by the Ohio Revised Code.

FINDING NUMBER 2003-004

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.36, states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Contrary to this requirement, Village Council did not certify the amounts to the county auditor.

FINDING NUMBER 2003-005

Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F)*, requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to recording the appropriations, Ohio Rev. Code, Section 5705.40, requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Capital Improvements Program (CIP) disbursed on behalf of the Village through the Butler County Community Development program, nor was the grant money included in the appropriations by the Village Council for fiscal year 2002. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$57,173 for the year ended December 31, 2002. We recommend the Village follow the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants.

FINDING NUMBER 2003-006

Noncompliance Citation

Ohio Rev. Code, Section 135.03*, stipulates any bank located in this state and any bank defined by Section 1101.01 of the Revised Code, subject to inspection by the superintendent of financial institutions, is eligible to become a public depository.

The Village maintains its checking account and some certificates of deposit located at a bank in Indiana. Therefore, it is not an eligible depository. Banks located in the state of Indiana are not subject to the Ohio Revised and therefore, do not provide pledged or pooled collateral for deposits greater than \$100,000. We recommend the Village bank with eligible banks.

FINDING NUMBER 2003-007

Noncompliance Citation

Ohio Rev. Code, Section 135.18*, specifies that the Clerk/Treasurer shall require public depositories to pledge to and deposit with the Village, as a security for the repayment of all public monies to be deposited in the public depository during the period of designation, eligible securities of aggregate market value equal to the excess of the amount of public monies deposited over and above such portion or amount as is time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government.

As of December 31, 2002, \$103,661 and as of December 31, 2003, \$144,934 on deposit with public depositories was not collateralized by eligible securities. This was pervasive throughout the audit period.

FINDING NUMBER 2003-007 CONTINUED

These deposits were located in a bank in the State of Indiana, which does not follow Ohio Rev. Code Section 135.18.

If the bank in Indiana were to fail, the Village may run the risk of losing any funds not covered by the Federal Deposit Insurance Act. We recommend the Village implement procedures to adequately collateralize all deposits.

* We also reported these matters in our audit of the 2000 and 2001 financial statements.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30368-001	Usage of banks in Indiana	No	Not corrected; reissued as finding 2003-006
2001-30368-002	Uncollateralized deposits	No	Not corrected; reissued as finding 2003-007
2001-30368-003	Appropriations exceeding estimated resources	No	Significantly different corrective action taken; no appropriations or estimated resources; new finding issued as 2003-001
2001-30368-004	Not properly encumbered	No	Not corrected; reissued as finding 2003-002
2001-30368-005	Recording of CIP monies	No	Not corrected; reissued as finding 2003-005



**Auditor of State
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VILLAGE OF COLLEGE CORNER

PREBLE 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
SEPTEMBER 28, 2004**