



**VILLAGE OF ALVORDTON  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



VILLAGE OF ALVORDTON  
WILLIAMS COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Alvordton  
Williams County  
207 North Michigan Avenue  
Alvordton, Ohio 43501-9759

To the Village Council:

We have audited the accompanying financial statement of the Village of Alvordton (the Village) as of and for the year ended December 31, 2000. This financial statement is the responsibility of the Village's management. Our responsibility is to express an opinion on this financial statement 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 statement 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 statement referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2001 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.

**Jim Petro**  
Auditor of State

October 24, 2001

**VILLAGE OF ALVORDTON  
WILLIAMS 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$21,546	\$2,130		\$23,676
Intergovernmental Revenues	19,606	11,465		31,071
Charges for Services	10			10
Miscellaneous	491	77		568
	<u>41,653</u>	<u>13,672</u>		<u>55,325</u>
<b>Total Cash Receipts</b>				
	<u>41,653</u>	<u>13,672</u>		<u>55,325</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	12,561			12,561
Basic Utility Services	811			811
Transportation	3,910	15,354		19,264
General Government	21,264			21,264
Capital Outlay			\$2,396	2,396
	<u>38,546</u>	<u>15,354</u>	<u>2,396</u>	<u>56,296</u>
<b>Total Cash Disbursements</b>				
	<u>38,546</u>	<u>15,354</u>	<u>2,396</u>	<u>56,296</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>3,107</u>	<u>(1,682)</u>	<u>(2,396)</u>	<u>(971)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		1,435	2,600	4,035
Transfers-Out	(4,035)			(4,035)
	<u>(4,035)</u>	<u>1,435</u>	<u>2,600</u>	
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(4,035)</u>	<u>1,435</u>	<u>2,600</u>	
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(928)	(247)	204	(971)
<b>Fund Cash Balances, January 1</b>	<u>18,044</u>	<u>3,329</u>	<u>446</u>	<u>21,819</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$17,116</u></u>	<u><u>\$3,082</u></u>	<u><u>\$650</u></u>	<u><u>\$20,848</u></u>

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

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**VILLAGE OF ALVORDTON  
WILLIAMS COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Alvordton, Williams 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, including park operations (leisure time activities), and part-time police 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. 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.

**3. Capital Projects 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:

*Other Capital Project Fund* - This fund is being used to repair the municipal building.

**VILLAGE OF ALVORDTON  
WILLIAMS COUNTY**

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

**D. 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 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 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 2000 budgetary activity appears in Note 3.

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

	<u>2000</u>
Demand deposits	<u>\$20,848</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2000 follows:

**VILLAGE OF ALVORDTON  
WILLIAMS COUNTY**

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

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,563	\$41,653	\$3,090
Special Revenue	10,827	15,107	4,280
Capital Projects	1,000	2,600	1,600
Total	<u>\$50,390</u>	<u>\$59,360</u>	<u>\$8,970</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,704	\$42,581	\$6,123
Special Revenue	18,502	15,354	3,148
Capital Projects	5,472	2,396	3,076
Total	<u>\$72,678</u>	<u>\$60,331</u>	<u>\$12,347</u>

Contrary to Ohio law, appropriations exceeded estimated revenue in the Permissive Tax fund, the Motor Vehicle License Tax fund, and the Other Capital Projects fund by \$4000, \$818, and \$4,026, respectively, for the year ended December 31, 2000.

**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 payment, the first half is due December 31. The second half payment is due the following June 20.

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. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village quarterly.

**VILLAGE OF ALVORDTON  
WILLIAMS COUNTY**

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

**6. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Tractor and Lawnmower Lease	\$2,082	6.253%

The Tractor and Lawnmower Lease was entered into by the Village to assist in the maintenance of the streets and the maintenance of the building and grounds. The Village Council has approved the lease for \$27,255.99. The lease will be repaid in monthly installments of \$527.40, including interest, over 5 years.

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

Year ending December 31:	Tractor and Lawnmower Lease
2001	\$2,110

**7. RETIREMENT SYSTEMS**

The Village's 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 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000. Commencing July 1, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2000.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles.



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

Village of Alvordton  
Williams County  
207 North Michigan Avenue  
Alvordton, Ohio 43501-9759

To the Village Council:

We have audited the accompanying financial statements of the Village of Alvordton (the Village) as of and for the year ended December 31, 2000, and have issued our report thereon dated October 24, 2001. 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 findings as items 2000-30186-001 and 2000-30186-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 24, 2001.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses; 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 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. A reportable condition is described in the accompanying schedule of findings as item 2000-30186-003.

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. We consider the reportable condition described above to be 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 October 24, 2001.

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.

**Jim Petro**  
Auditor of State

October 24, 2001

VILLAGE OF ALVORDTON  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000

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

**FINDING NUMBER 2000-30186-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 for political subdivisions (other than counties), may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

None of the transactions tested were certified at the time the commitment was incurred. These commitments were not subsequently approved by Council within the aforementioned 30 day time period.

We recommend the Clerk/Treasurer certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

**FINDING NUMBER 2000-30186-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue available for expenditure from that fund as certified by the budget commission in the certificate of estimated resources. Appropriations exceeded the amount of estimated resources certified as available by the budget commission in the following funds:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
Permissive Tax	\$4,000		(\$4,000)
Motor Vehicle License Tax	3,550	\$2,732	(818)
Other Capital Projects	5,472	1,446	(4,026)

**FINDING NUMBER 2000-30186-002  
(Continued)**

The unfavorable variances were due to lack of executing Amended Certificates of Estimated Resources for changes in appropriations and unexpected revenue. Total appropriations in excess of total approved estimated resources may result in deficit spending. We recommend a new Amended Certificate of Estimated Resources form be executed each time supplemental appropriations are approved and unexpected revenues are to be received.

**FINDING NUMBER 2000-30186-003**

**Material Weakness - Income Tax Revenues**

- Eighteen percent of income tax returns tested did not have supporting documentation. (i.e., W-2 or Schedule C). Fifty percent of the quarterly business returns tested had the appropriate supporting documentation to substantiate withholding payments.
- Twenty-three percent of income tax returns tested were calculated incorrectly, none of which were detected by the Income Tax Clerk.
- Twenty-five percent of Village residents tested did not file a return even though the Village has a mandatory filing requirement.
- Late penalty and filing fees are not consistently assessed on income tax accounts.
- Delinquent income tax amounts are not consistently or fully pursued by the Income Tax Clerk. Neither the Council nor the Mayor monitor delinquent accounts.
- No documentation exists that substantiates whether certain residents are retired and exempt from filing tax returns.

The above discrepancies have resulted in lost revenues to the Village . To improve controls over income tax revenues, we recommend:

- All local taxpayers and businesses be required to file with their return all necessary documents that support the accuracy of their return. The Income Tax Clerk should follow-up on and require additional documentation for any tax returns deemed to have insufficient support.
- The Income Tax Clerk recalculate all the returns to ensure the correct amount is being remitted to the Village. We further suggest the Income Tax Clerk take training in preparation of income tax forms.
- The appropriate filing fees and penalty fees be assessed consistently to taxpayers who are not filing their income return or who are filing their return after the deadline. In those instances where penalty fees are waived, there should be documentation to support this waiver.
- The Income Tax Clerk consistently pursue delinquent accounts, and the Council or Mayor monitor income tax collections and delinquencies. We further recommend that the Village adopt a policy on collection of delinquent income tax accounts.
- All retired taxpayers should be required to certify their retirement and employment status. These forms should be periodically reviewed by the Income Tax Clerk to ensure that their status is correct.



**VILLAGE OF ALVORDTON  
WILLIAMS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-30186-001	Ohio Revised Code § 5705.41(D) Failure to encumber funds.	No	Not Corrected. Reissued as finding 2000-30186-001.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF ALVORDTON**

**WILLIAMS 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  
NOVEMBER 8, 2001**