



**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SYCAMORE
WYANDOT COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Sycamore
Wyandot County
P.O. Box 279
Sycamore, Ohio 44882

To the Village Council:

We have audited the accompanying financial statements of the Village of Sycamore, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999. 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and December 31, 1999, 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 May 3, 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, the 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

May 3, 2001

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VILLAGE OF SYCAMORE
WYANDOT COUNTY

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Local Taxes	\$47,785	\$17,674	\$0	\$0	\$197,562	\$263,021
Intergovernmental Revenues	71,470	432,265	0	0	0	503,735
Charges for Services	0	61,645	0	0	0	61,645
Fines, Licenses, and Permits	16,252	0	0	0	0	16,252
Miscellaneous	35,132	43,003	0	0	0	78,135
Total Cash Receipts	170,639	554,587	0	0	197,562	922,788
Cash Disbursements:						
Current:						
Security of Persons and Property	108,980	181,524	0	0	0	290,504
Public Health Services	3,698	31,710	0	0	0	35,408
Leisure Time Activities	4,590	0	0	0	0	4,590
Basic Utility Services	288	2,437	0	0	0	2,725
Transportation	0	28,901	0	0	0	28,901
General Government	86,140	0	0	0	62,653	148,793
Debt Service	0	10,000	13,574	0	0	23,574
Capital Outlay	21,475	97,831	0	0	0	119,306
Total Cash Disbursements	225,171	352,403	13,574	0	62,653	653,801
Total Cash Receipts Over/(Under) Cash Disbursements	(54,532)	202,184	(13,574)	0	134,909	268,987
Other Financing Receipts/(Disbursements):						
Transfers-In	72,662	43,597	0	0	0	116,259
Transfers-Out	0	0	0	0	(130,792)	(130,792)
Other Uses	0	(340)	0	0	(1,333)	(1,673)
Total Other Financing Receipts/(Disbursements)	72,662	43,257	0	0	(132,125)	(16,206)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	18,130	245,441	(13,574)	0	2,784	252,781
Fund Cash Balances, January 1, 2000	36,690	189,660	0	35,579	15,265	277,194
Fund Cash Balances, December 31, 2000	\$54,820	\$435,101	(\$13,574)	\$35,579	\$18,049	\$529,975

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

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Enterprise Funds</u>
Operating Cash Receipts:	
Charges for Services	\$1,020,767
	<hr/>
Total Operating Cash Receipts	1,020,767
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Operating Cash Disbursements:	
Personal Services	175,703
Contractual Services	530,998
Supplies and Materials	119,706
Capital Outlay	42,834
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Total Operating Cash Disbursements	869,241
	<hr/>
Operating Income	151,526
	<hr/>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	42,750
Miscellaneous	86
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Total Non-Operating Cash Receipts	42,836
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Non-Operating Cash Disbursements:	
Debt Service	135,800
Other Non-Operating Cash Disbursements	5,659
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Total Non-Operating Cash Disbursements	141,459
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Excess of Receipts Over Disbursements Before Interfund Transfers	52,903
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Transfers-In	14,533
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Net Receipts Over Disbursements	67,436
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Fund Cash Balances, January 1, 2000	387,380
	<hr/>
Fund Cash Balances, December 31, 2000	<u><u>\$454,816</u></u>

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

VILLAGE OF SYCAMORE
WYANDOT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Local Taxes	\$46,345	\$17,759	\$0	\$0	\$173,553	\$237,657
Intergovernmental Revenues	22,945	32,329	0	0	0	55,274
Charges for Services	0	58,429	0	0	0	58,429
Fines, Licenses, and Permits	23,652	100	0	0	0	23,752
Miscellaneous	11,699	26,146	0	0	0	37,845
Total Cash Receipts	104,641	134,763	0	0	173,553	412,957
Cash Disbursements:						
Current:						
Security of Persons and Property	93,756	21,908	0	0	0	115,664
Public Health Services	3,783	23,160	0	0	0	26,943
Leisure Time Activities	3,160	0	0	0	0	3,160
Basic Utility Services	772	6,713	0	0	0	7,485
Transportation	0	50,996	0	0	0	50,996
General Government	84,006	0	0	0	14,990	98,996
Debt Service	0	9,400	13,574	433	0	23,407
Capital Outlay	8,855	31,802	0	0	3,995	44,652
Total Cash Disbursements	194,332	143,979	13,574	433	18,985	371,303
Total Cash Receipts Over/(Under) Cash Disbursements	(89,691)	(9,216)	(13,574)	(433)	154,568	41,654
Other Financing Receipts/(Disbursements):						
Transfers-In	91,523	54,914	13,574	0	0	160,011
Transfers-Out	0	0	0	0	(164,741)	(164,741)
Other Uses	0	(386)	0	0	(18,910)	(19,296)
Total Other Financing Receipts/(Disbursements)	91,523	54,528	13,574	0	(183,651)	(24,026)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,832	45,312	0	(433)	(29,083)	17,628
Fund Cash Balances, January 1, 1999	34,858	144,348	0	36,012	44,348	259,566
Fund Cash Balances, December 31, 1999	\$36,690	\$189,660	\$0	\$35,579	\$15,265	\$277,194

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

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Enterprise Funds</u>
Operating Cash Receipts:	
Charges for Services	\$1,026,444
Miscellaneous	<u>35,433</u>
Total Operating Cash Receipts	<u>1,061,877</u>
Operating Cash Disbursements:	
Personal Services	138,210
Contractual Services	444,056
Supplies and Materials	153,388
Capital Outlay	<u>140,624</u>
Total Operating Cash Disbursements	<u>876,278</u>
Operating Income	<u>185,599</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	46,567
Miscellaneous	<u>1,067</u>
Total Non-Operating Cash Receipts	<u>47,634</u>
Non-Operating Cash Disbursements:	
Debt Service	108,180
Other Non-Operating Cash Disbursements	<u>5,800</u>
Total Non-Operating Cash Disbursements	<u>113,980</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	119,253
Transfers-In	18,304
Transfers-Out	<u>(13,574)</u>
Net Receipts Over Disbursements	123,983
Fund Cash Balances, January 1, 1999	<u>263,397</u>
Fund Cash Balances, December 31, 1999	<u><u>\$387,380</u></u>

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

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sycamore, Wyandot 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 water, electric, and sewer utilities, park operations (leisure time activities), and police, fire, and 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 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 monies from a levy and charges for services to cover the costs of providing fire protection services.

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and loan indebtedness.

4. 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 Projects Fund:

Sanitary Sewer Construction Fund - This fund is used to account for receipts and expenditures related to the construction of a wastewater treatment plant for the Village.

5. 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 Fund:

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

6. Fiduciary Fund (Expendable Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary funds:

Local Income Tax Fund - This fund receives local income tax revenue which is allocated to the General Fund, the Street Construction Fund, the Storm Sewer Fund, and the Swimming Pool Fund to assist with the expenditures of these funds. The remaining portion of income tax revenue is used to cover the costs to collect this tax.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures 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.

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. The Village did not use the encumbrance method of accounting.

A summary of 2000 and 1999 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

	<u>2000</u>	<u>1999</u>
Deposits	\$ 694,147	\$ 391,420
Cash on hand	<u>250</u>	<u>250</u>
Total deposits	<u>694,397</u>	<u>391,670</u>
STAR Ohio	<u>290,394</u>	<u>272,904</u>
Total deposits and investments	<u><u>\$ 984,791</u></u>	<u><u>\$ 664,574</u></u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 243,301	\$ 243,301
Special Revenue	0	598,184	598,184
Debt Service	0	0	0
Capital Projects	0	0	0
Expendable Trust	0	197,562	197,562
Enterprise	0	1,078,136	1,078,136
Total	<u>\$ 0</u>	<u>\$ 2,117,183</u>	<u>\$ 2,117,183</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 307,799	\$ 225,171	\$ 82,628
Special Revenue	723,108	352,743	370,365
Debt Service	145,184	13,574	131,610
Capital Projects	33,883	0	33,883
Expendable Trust	237,780	194,778	43,002
Enterprise	1,636,845	1,010,700	626,145
Total	<u>\$ 3,084,599</u>	<u>\$ 1,796,966</u>	<u>\$ 1,287,633</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 196,164	\$ 196,164
Special Revenue	0	189,677	189,677
Debt Service	0	13,574	13,574
Capital Projects	0	0	0
Expendable Trust	0	173,553	173,553
Enterprise	0	1,127,815	1,127,815
Total	<u>\$ 0</u>	<u>\$ 1,700,783</u>	<u>\$ 1,700,783</u>

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 227,300	\$ 194,332	\$ 32,968
Special Revenue	368,710	144,365	224,345
Debt Service	145,311	13,574	131,737
Capital Projects	50,790	433	50,357
Expendable Trust	234,300	202,636	31,664
Enterprise	1,426,690	1,003,832	422,858
Total	<u>\$ 2,453,101</u>	<u>\$ 1,559,172</u>	<u>\$ 893,929</u>

The Village did not encumber funds or certify that funds were available in 1999 and 2000. The Village does not use purchase orders.

The Clerk/Treasurer did not certify to the County Auditor the total amount from all sources available for expenditure. Appropriations exceeded estimated resources in 1999 and 2000.

Expenditures exceeded appropriations at the legal level of control in 1999 and 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 SYCAMORE
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 27,218	10.16%
Ohio Water Development Authority Loan	40,229	9.99%
Water Plant & Line Loan	94,295	6.00%
Fire Tanker Loan	17,432	6.00%
Sanitary Sewer Bonds	1,583,900	5.25%
Total	\$ 1,763,074	

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments of \$5,488 and \$8,086 respectively, including interest, through 2004.

The Village obtained a \$100,000 loan from a local financial institution for water plant and line improvement projects. This loan will be repaid in monthly installments of \$645, including interest through 2022.

The Village obtained a \$40,000 loan from a local financial institution for the purpose of purchasing a new fire tanker truck for the volunteer fire department. This loan will be repaid in semi-annual installments of \$4,689, including interest through 2002 .

The Farmers Home Administration Sanitary Sewer bonds relate to the construction of a wastewater treatment plant for the Village. The bonds will be repaid in annual installments of approximately \$100,850, including interest through 2034.

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

Year ending December 31:	OWDA Loan (10.16%)	OWDA Loan (9.99%)	Water Plant & Line Loan	Fire Tanker Loan	Sanitary Sewer Bonds
2001	\$ 10,976	\$ 16,173	\$ 7,736	\$ 9,378	\$ 100,855
2002	10,976	16,173	7,736	9,378	100,826
2003	10,976	16,173	7,736	0	100,849
2004	5,488	8,086	7,736	0	100,820
2005	0	0	7,736	0	100,838
Subsequent	0	0	131,512	0	2,925,308
Total	\$ 38,416	\$ 48,519	\$ 170,192	\$ 18,756	\$ 3,429,496

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide 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 1999 and 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries from January 1, 1999 - June 30, 2000. Due to a rollback in employer contribution rates, this amount was reduced to 8.13% from July 1, 2000 - December 31, 2000. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health and life insurance and dental and vision coverage to full-time employees through a private carrier.

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

Village of Sycamore
Wyandot County
P.O. Box 279
Sycamore, Ohio 44882

To the Village Council:

We have audited the accompanying financial statements of the Village of Sycamore, Wyandot County, Ohio (the Village), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated May 3, 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 2000-30288-001 through 2000-30288-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 3, 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. 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-30288-005 and 2000-30288-006.

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, of the reportable conditions described above, we consider item 2000-30288-005 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 May 3, 2001.

Village of Sycamore
Wyandot County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of management and the 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

May 3, 2001

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-30288-001

Certification of Estimated Revenues

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 balances that existed at the end of the preceding year. Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated resources available. 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 Clerk/Treasurer did not certify to the County Auditor the total amount from all sources available for expenditures in 1999 or 2000. Therefore, at December 31, 1999 and December 31, 2000, appropriations exceeded total estimated resources in all Village funds. If revenues are not certified, the County Auditor cannot certify that the total appropriations from each fund do not exceed the estimated resources.

We recommend that the Clerk/Treasurer certify the total amount available from all sources with the County Auditor on or about the first day of each fiscal year. The Clerk/Treasurer should then post estimated receipts to the ledgers based on the official certificate of estimated resources as certified by the County Auditor.

FINDING NUMBER 2000-30288-002

Certification of Expenditures

Ohio Rev. Code Section 5705.41(D) states in part that no subdivision shall make any contract or order any expenditure of money unless the certificate of 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 certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution with 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

One hundred percent of transactions tested were not certified by the Clerk/Treasurer prior to the commitment being incurred, nor were they certified using then and now certificates. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

We recommend that all Village disbursements receive prior certification by the Clerk/Treasurer.

FINDING NUMBER 2000-30288-003

Issuance of Purchase Orders

Ohio Admin. Code Section 117-05-11(C) states that each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure should use as the source posting document, an executed purchase order.

The Village did not issue purchase orders for 100% of expenditures in 1999 and 2000.

We recommend the Village use purchase orders for expenditures. The Clerk/Treasurer can also use the purchase orders to certify the availability of funds.

FINDING NUMBER 2000-30288-004

Expenditures Exceeded Appropriations

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level in which appropriations are approved by the Council.

Expenditures were within appropriations at the fund level during 1999 and 2000. However, expenditures exceeded appropriations at the object level, which is the legal level of control, in aggregate, in the following funds:

Fund	Year	Amount by Which Expenditures Exceeded Appropriations
General	1999	\$ 15,513
Special Revenue	1999	5,100
Enterprise	1999	26,717
Expendable Trust	1999	15,844
General	2000	55,527
Special Revenue	2000	163,549
Enterprise	2000	118,343

We recommend the Clerk/Treasurer and the Council monitor budget versus actual reports throughout the year to ensure expenditures do not exceed appropriations at the legal level of control. In order to keep expenditures within appropriated amounts, the Council may amend the annual appropriation measure by approving supplemental appropriations or by transferring appropriations from one line item to another.

FINDING NUMBER 2000-30288-005

Bank Reconciliations

Monthly bank reconciliations were not properly performed throughout 1999 and 2000. In addition, the Village had several outstanding checks for various payroll withholdings that were not mailed, and as a result, the Village paid approximately \$30,000 in penalties. In August 2000, the Village contracted for consulting services with the Auditor of State to reconcile the Village's regular checking and payroll accounts. The Auditor of State reconciled these accounts in August 2000, however, the Village's regular checking account was unreconciled again at December 31, 2000 by \$6,585. The Clerk/Treasurer believed this was due to improper closing at month end. This unreconciled balance remained the same since September 2000 and the Clerk/Treasurer posted an adjustment on June 14, 2001 to eliminate this unreconciled amount.

When cash reconciliations are not properly performed, monthly fund balances may be understated or overstated and management can not be assured that the statements reflect the proper financial activities of the Village. Also, lack of legislative monitoring of the monthly bank reconciliations may lead to errors, irregularities, or misappropriation of the Village's assets.

We recommend that when the Clerk/Treasurer performs monthly bank reconciliations, all discrepancies between the amounts on the bank statement and the fund balances on the Village's records be investigated and resolved in a timely manner. In addition, the bank reconciliations, including supporting documentation, should be reviewed by the Council in order to assure accuracy and that all errors and/or irregularities are detected in a timely manner. The length of time for outstanding checks should also be reviewed and old outstanding checks should be investigated.

FINDING NUMBER 2000-30288-006

Council Monitoring

During 1999 and 2000, the Council did not receive and monitor budget versus actual reports for receipts and expenditures.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

To use the budget as an effective management tool, we recommend the Council periodically review monthly budgetary reports comparing budgeted receipts and expenditures to actual results of operations.



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VILLAGE OF SYCAMORE

WYANDOT 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
JULY 17, 2001**