



**Auditor of State
Betty Montgomery**

VILLAGE OF CAMDEN
PREBLE COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Camden
Preble County
56 North Main Street
P.O. Box 1
Camden, Ohio 45311

To the Village Council:

We have audited the accompanying financial statements of the Village of Camden, Preble County, Ohio (the Village), as of and for the year ended December 31, 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. 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, 2002, 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 September 25, 2003, 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 Section 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 25, 2003

**VILLAGE OF CAMDEN
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 | \$71,583 | | | \$71,583 |
| Special Assessments | 52,872 | | | 52,872 |
| Intergovernmental Receipts | 82,991 | \$99,007 | \$26,000 | 207,998 |
| Charges for Services | 4,117 | 10 | | 4,127 |
| Fines, Licenses, and Permits | 5,032 | | | 5,032 |
| Earnings on Investments | 4,225 | 1,750 | | 5,975 |
| Miscellaneous | 36,795 | 600 | | 37,395 |
| | <u>257,615</u> | <u>101,367</u> | <u>26,000</u> | <u>384,982</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 158,124 | | | 158,124 |
| Public Health Services | | 5,281 | | 5,281 |
| Basic Utility Services | 27,904 | | | 27,904 |
| Transportation | | 106,692 | | 106,692 |
| General Government | 95,051 | 10,038 | | 105,089 |
| Capital Outlay | 21,984 | | 26,000 | 47,984 |
| | <u>303,063</u> | <u>122,011</u> | <u>26,000</u> | <u>451,074</u> |
| Total Cash Disbursements | | | | |
| Total Receipts (Under) Disbursements | <u>(45,448)</u> | <u>(20,644)</u> | <u>0</u> | <u>(66,092)</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Advances-In | 23,823 | | | 23,823 |
| Transfers-Out | (5,000) | | | (5,000) |
| Advances-Out | (2,500) | | | (2,500) |
| | <u>16,323</u> | <u>0</u> | <u>0</u> | <u>16,323</u> |
| Total Other Financing Receipts/(Disbursements) | | | | |
| Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements | (29,125) | (20,644) | 0 | (49,769) |
| Fund Cash Balances, January 1 | 60,471 | 31,756 | 0 | 92,227 |
| Fund Cash Balances, December 31 | <u>\$31,346</u> | <u>\$11,112</u> | <u>\$0</u> | <u>\$42,458</u> |
| Reserves for Encumbrances, December 31 | <u>\$307</u> | <u>\$139</u> | | <u>\$446</u> |

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

**VILLAGE OF CAMDEN
PREBLE COUNTY**

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

| | |
|---|--------------------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$377,103 |
| Miscellaneous | 13,083 |
| | <u>390,186</u> |
| | |
| Operating Cash Disbursements: | |
| Personal Services | 80,252 |
| Fringe Benefits | 16,427 |
| Contractual Services | 173,664 |
| Supplies and Materials | 40,932 |
| Other | 2,877 |
| Capital Outlay | 600 |
| | <u>314,752</u> |
| | |
| Operating Income | <u>75,434</u> |
| | |
| Non-Operating Cash Disbursements: | |
| Debt Service | <u>130,870</u> |
| | |
| Total Non-Operating Cash Disbursements | <u>130,870</u> |
| | |
| Receipts (Under) Disbursements Before Interfund Transfers and Advances | (55,436) |
| | |
| Transfers-In | 5,000 |
| Advances-In | 2,500 |
| Advances-Out | <u>(23,823)</u> |
| | |
| Net Receipts (Under) Disbursements | (71,759) |
| | |
| Fund Cash Balances, January 1 | <u>284,163</u> |
| | |
| Fund Cash Balances, December 31 | <u><u>\$212,404</u></u> |
| | |
| Reserve for Encumbrances, December 31 | <u><u>\$137</u></u> |

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

**VILLAGE OF CAMDEN
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Camden, 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, park operations, and police service.

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.

Permissive Motor Vehicle License Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Capital Project Fund

This fund is 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:

**VILLAGE OF CAMDEN
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Construction Fund - This fund was used to account for street improvement monies spent by Preble County on the Village's behalf for the County's Community Development Block Grant 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.

Refuse 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. However, there were no material unrecorded encumbrances at December 31, 2002 and 2001.

A summary of 2002 budgetary activity appears in Note 3.

**VILLAGE OF CAMDEN
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

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:

| | |
|-------------------------|-----------|
| | 2002 |
| Demand deposits | \$139,072 |
| Certificates of deposit | 115,790 |
| Total deposits | \$254,862 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002, follows:

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$215,211 | \$257,615 | \$42,404 |
| Special Revenue | 102,009 | 101,367 | (642) |
| Capital Projects | 0 | 26,000 | 26,000 |
| Enterprise | 412,160 | 395,186 | (16,974) |
| Total | \$729,380 | \$780,168 | \$50,788 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$275,187 | \$308,370 | (\$33,183) |
| Special Revenue | 131,625 | 122,150 | 9,475 |
| Capital Projects | 0 | 26,000 | (26,000) |
| Enterprise | 646,134 | 445,759 | 200,375 |
| Total | \$1,052,946 | \$902,279 | \$150,667 |

**VILLAGE OF CAMDEN
PREBLE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

The Village did not record or appropriate grant funds of \$26,000 received on their behalf through the Preble County Community Development Block Grant (CDBG) program during fiscal year 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|--------------------|----------------------|
| Ohio Water Development Authority Loan 1994 | \$750,508 | 2.20% |
| Ohio Water Development Authority Loan 1998 | 700,690 | 3.50% |
| Police Cruiser Lease | 13,827 | 6.65% |
| Total | <u>\$1,465,025</u> | |

The Ohio Water Development Authority (OWDA) 1994 loan relates to wastewater treatment plant improvements that were mandated by the Ohio Environmental Protection Agency. The loan is to be repaid in semi-annual installments of \$35,751, including interest, over a total of 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) 1998 loan relates to the North Area Sanitary Sewer Line extension. The OWDA approved up to \$848,454 for the project of which the Village had received \$843,559 as of December 31, 2002. An amortization schedule for this loan will not be completed until the Village has drawn all funds. However, the Village has started to repay the loan in semi-annual installments of \$29,684, including interest (the first payment was paid in January 1999). The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Police Cruiser Lease is for the lease/purchase of two 2001 Ford Crown Victoria police sedans. The lease was entered into on April 12, 2001. The original lease/purchase amount was \$41,237 and is being repaid in annual installments of \$14,746. The first payment was made on April 19, 2001. The Village will have an option at the end of three years to purchase these vehicles for \$1 each.

**VILLAGE OF CAMDEN
PREBLE COUNTY**

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

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows (the schedule excludes the 1998 OWDA loan, for which an amortization schedule is not available):

| Year ending December 31: | OWDA Loan 1994 | Police Cruiser Lease |
|--------------------------|-------------------|----------------------------|
| 2003 | \$71,502 | \$14,746 |
| 2004 | 71,502 | |
| 2005 | 71,502 | |
| 2006 | 71,502 | |
| 2007 | 71,502 | |
| 2008 – 2012 | 357,510 | |
| 2013 – 2015 | 178,755 | |
| Total | <u>\$893,775</u> | <u>\$14,746</u> |

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002.

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. RELATED PARTY TRANSACTIONS

The Village's Mayor is the owner of a company, Wood Propane, from which the Village acquired services during the audit period. The Village paid \$3,271 for services in 2002.

**VILLAGE OF CAMDEN
PREBLE COUNTY**

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

9. CONTINGENT LIABILITIES

The Village was a defendant in a lawsuit with Jered Corporation. The parties settled the lawsuit with an Agreed Order and Entry of Settlement filed on September 13, 2002. The Village has assumed responsibility for installing all water meters for every lot within the Quail Creek mobile home park. The Village is working with Kramer & Associates to design the project and to seek bids. Cost of the project will not be known until that process is completed. The Village is responsible for and must indemnify Jered Corporation for any damages to persons or property that it may cause in the discharge of its obligations.



**Auditor of State
Betty Montgomery**

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

Village of Camden
Preble County
56 North Main Street
P.O. Box 1
Camden, Ohio 45311

To the Village Council:

We have audited the accompanying financial statements of the Village of Camden, Preble County, Ohio (the Village), as of and for the year ended December 31, 2002, and have issued our report thereon dated September 25, 2003. 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 2002-001, 2002-002, 2002-003, 2002-008, and 2002-009.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 25, 2003.

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 2002-001 through 2002-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is 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 September 25, 2003.

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.



Betty Montgomery
Auditor of State

September 25, 2003

VILLAGE OF CAMDEN
PREBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002

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

FINDING NUMBER 2002-001

Noncompliance/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:

- A. Then and Now Certificates - 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 contract or order and 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 4/7/03], the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for 71% of expenditures tested and neither of the exceptions above were used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2002-002

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 9.38, states that public money must be deposited with the treasurer of the public or to a designated depository within 24 hours of collection. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. Only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Village did not deposit 23% of utility receipts tested within 24 hours. Failure to deposit funds within 24 hours may result in theft or loss of these funds. Also these funds are not earning interest until deposited into the designated depository. Effort should be made by the Village to deposit funds within 24 hours of receipt. We recommend the Village deposit all funds received within 24 hours of receipt.

FINDING NUMBER 2002-003

Noncompliance/Reportable Condition

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 Village of West Alexandria 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 Community Development Block Grant monies disbursed on behalf of the Village, 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 \$26,000 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 2002-004

Reportable Condition

The Village did not exercise management oversight in the operations of the Village. This lack of oversight is illustrated by the following:

- Bills were not approved for payment by Council at the September 2002 council meeting.
- From September through December 2002 Council and the Clerk approved purchase orders. Prior to that time period, purchase orders were only sporadically signed by the Clerk. No purchase orders were signed by Council prior to September 2002.
- Seven percent of the vouchers tested were not signed by at least two Council or BPA members.
- Management reports generated from the UAN system were reviewed by Council only from January through May.
- Monthly bank reconciliations were not completed for June and July.

The lack of management involvement could increase the chance of internal control weaknesses which could result in material misstatement of the financial statements, noncompliance with laws and regulations, and the misappropriation of Village monies. We recommend that:

- Council approve the payment of bills at all regular semi-monthly council meetings.
- Council members and the Clerk properly sign and approve all purchase orders.
- All vouchers are signed by the Clerk and at least two Council members.
- Council review and approve the monthly management reports generated from the UAN system (Council began reviewing these reports in 2003).
- Monthly bank reconciliations should be completed by the Clerk and reviewed by members of management for accuracy.

FINDING NUMBER 2002-005

Reportable Condition

We noted the following control deficiencies related to Village utility operations:

- The January and February 2002 batch reports could not be located.
- 23% of receipts tested were not deposited within twenty-four hours.
- The date stamped on 3% of billing stubs tested was not within twenty-four hours of the date the receipt was posted to the utility system. In addition, 72% of billing stubs tested were not stamped with the date paid.
- The wrong meter readings were entered into the system for three customers tested. The total actual billing error was the Village charging \$52 less than what they were due.
- June and December billing adjustments could not be traced to approval. The Village Administrator now approves adjustments. Documentation was not maintained for the adjustments approved for the audit period.
- We noted discrepancies between the amounts reported on the monthly summary sheets, the receipts register from the Utility System, and the amount of charges for services posted to the UAN system.
- Utility batch numbers were not used in order. Batch 1608 is missing. In July 2002 the batch number skip from 1665 to 9600 to 9658. Batches 9693 through 9695 are missing. There are two batch numbers 9720. Batch number 9722 is missing.

The lack of management involvement could increase the chance of internal control weaknesses which could result in material misstatement of the financial statements, noncompliance with laws and regulations, and the misappropriation of Village monies. We recommend that:

- All batch reports be maintained and compared to monthly summary sheets to ensure completeness of data reported on the monthly summary sheets.
- All receipts be deposited within twenty-four hours.
- All billing stubs be stamped with the date paid and the receipt be posted into the Utility system within twenty-four hours of payments.
- All billing adjustments should be properly approved; documentation should be maintained for all billing adjustments made.
- The monthly summary sheets, receipts register from the Utility System, and the amount of charges for services posted to the UAN system should be reconciled on a monthly basis.

FINDING NUMBER 2002-006

Reportable Condition

The Village has not accurately reconciled its bank accounts/fund balances. There were numerous posting errors in both the receipt and expenditure ledgers.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations when making financial decisions and not having them could put the Village's financial health at risk. All revenues and expenditures should be accurately entered into the accounting system. Failure to accurately enter revenue and expenditure transactions can result in misstatements in the financial statements.

Accordingly, we recommend the Village establish written procedures for cash reconciliations. These procedures should address (but not be limited to) how to handle unrecorded interest, to review bank

statements for service charges, making sure the outstanding checklist is accurate and to compensate for utility charges collected by the bank which have not been posted to the cash journal. Additional procedures should include the approval of the reconciliations by a member of the Village's Finance Committee. Such approval should be documented by his/her initialing the reconciliations. We also recommend that all revenue and expenditure transactions be accurately entered into the accounting system.

FINDING NUMBER 2002-007

Reportable Condition

The Village did not adequately control the payroll operations of the Village. We noted the following errors and control deficiencies:

- 15% of timecards could not be located.
- 33% of paychecks could not be traced to an approved salary rate.
- Seven payroll checks were not properly calculated. The actual error was a \$49.67 overpayment. The errors included: employees being paid at an incorrect rate, employees being paid straight time for overtime hours worked, employees being paid time and one half for hours worked that were not overtime, unknown payroll adjustments, and improper earned income credits.
- The Village did not maintain copies of payroll remittances until August 2002.
- The Village did not maintain a copy of an employee's retirement system application.
- Employees did not complete leave request forms until September 2002. The Police Chief completes the leave forms for officers. These forms are not signed by the officers.
- One employee resigned from the Village and was paid for his leave balances. These leave balances were not deleted from the Village's accounting system. The Clerk was paid for vacation and comp leave. The Clerk's leave was paid from the Water and Sewer funds while her regular salary was paid from the Water, Sewer, and General Funds. Also her leave payouts were at two different rates rather than at her current pay rate.

**FINDING NUMBER 2002-007
(Continued)**

- The Police Chief retired and was rehired. He was not paid for his entire vacation balance when he retired. Council said in the minutes that as a new employee, he would be entitled to benefits as a new employee. The Chief took vacation in the first year of reemployment while new employees are required to go through a one year waiting period (per the Village's personnel policies and procedures manual). The Chief also accrued vacation at 7.7 hours per pay while new employees accrue vacation at 3.1 hours per pay.

These errors could result in material misstatement of the financial statements, noncompliance with laws and regulations, and the misappropriation of Village monies. We recommend that:

- All hourly employees should complete timecards. These timecards should be approved by the employee's supervisor and the timecards should be maintained by the Village.
- The Village Council should approve all salary rates in the minutes. An annual payroll resolution should be completed which would include all employees and their approved salary rates.
- Due care should be taken to properly calculate all payroll checks. All payroll checks should agree to an approved salary rate and time cards. Any adjustments should have supporting documentation.
- Copies of all withholding remittances should be maintained. Copies of remittances were maintained subsequent to August 2002.
- Copies of all employee personnel records should be maintained (W-4 forms, retirement system participation applications, etc.).
- Leave forms should be completed for all leave taken. These forms should be completed by the employee and approved by the supervisor. In the event that the supervisor completes the form, the employee should sign the form indicating that they agree with the information. Employees completed leave forms subsequent to September 2002.
- Leave payouts should be properly calculated. The hours paid should agree to the leave records and the rate should be at the employee's current rate. All hours an employee receives payment for should be deducted from the leave system.
- The Village should develop a policy regarding the rehiring of retired employees. This policy should indicate the benefits to which rehired employees are entitled.

FINDING NUMBER 2002-008

Finding for Recovery

Jodie Speessen, the former Clerk, was paid an EIC (earned income credit) advance of \$30 for 6 pays in 2002 for a total of \$180, in addition to her regular salary. A 2002 Form W-5 from the Internal Revenue Service, documenting the earned income credit, was completed by the Clerk and included in her personnel file. Council had no knowledge of this form being filed and did not approve giving Ms. Speessen an advance.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Jodie Speesen, and Western Surety Company, jointly and severally, in the amount of \$180 and in favor of the Village of Camden.

FINDING NUMBER 2002-009

Finding for Recovery

In the February 14, 2000, Board of Public Affairs (BPA) minutes, the Board approved reimbursing Anthony Combs for the deductions from his pay for family medical coverage. Mr. Combs resigned from the Village effective April 7, 2000. In the June 12, 2000, BPA minutes, the following was documented: "It was also decided to rehire Tony Combs on a full time basis. He will receive \$11.25 hourly adjusted to cover Health Insurance Family Plan which he will receive." Prior to resigning Mr. Combs was earning \$8.27 / hour. This is a raise of \$2.98 / hour or \$238.40 per pay. For 2002, the deduction for family coverage for Mr. Combs was \$233.34 per pay. Based on the above information, it appears that the BPA's intention was that the raise to \$11.25 was to include the reimbursement for coverage for Mr. Combs's family health insurance. In addition to this raise he was also paid \$294.78/pay from the date he was rehired until he again resigned from the Village on May 3, 2002. For 2002 he received \$294.78 per pay for insurance reimbursement for 10 pays. The total overpayment for 2002 was \$2,947.80.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Anthony Combs, Jodie Speessen, the former Clerk, and Western Surety Company, jointly and severally, in the amount of \$2,947.80 and in favor of the Village of Camden.

**VILLAGE OF CAMDEN
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

| 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 | Revised Code 5705.41(D), failure to properly certify funds | No | Not Corrected - Reissued as Finding 2002-001 |
| 2001-30368-002 | Revised Code 5705.09(F), failure to record on-behalf grant monies | No | Not Corrected - Reissued as Finding 2002-003 |
| 2001-30368-003 | Revised Code 5705.41(B), expenditures exceeded appropriations | No | Partially corrected - Reissued as management letter recommendation |
| 2001-30368-004 | Inadequate documentation of EMS payroll | Yes | Finding No Longer Valid |
| Management Letter Citation #2 | Revised Code 9.38, failure to deposit funds within 24 hours | No | Not Corrected - Reissued as Finding 2002-002 |
| Management Letter Recommendation #2 | Lack of management oversight of expenditures | No | Not Corrected - Reissued as Finding 2002-004 |
| Management Letter Recommendation #4 | Failure to properly approve all water and sewer adjustments | No | Not Corrected - Reissued as Finding 2002-005 |
| Management Letter Recommendation #13 | Lack of proper supporting documentation for payroll expenditures | No | No Corrected - Reissued as Finding 2002-007 |



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VILLAGE OF CAMDEN

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
OCTOBER 16, 2003**