



Dave Yost • Auditor of State

VILLAGE OF FLETCHER
MIAMI COUNTY

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Dave Yost • Auditor of State

Village of Fletcher
Miami County
PO Box 119
Fletcher, Ohio 45326

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 8, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Fletcher
Miami County
PO Box 119
Fletcher, Ohio 45326

To the Village Council:

We have audited the accompanying financial statements of Village of Fletcher, Miami County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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.

Except as discussed in the following paragraph, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Section 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient audit evidence supporting the Village's receipts amounting to \$1,295 for the Mayor's Court Agency Fund at December 31, 2010.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows where applicable for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the Mayor's Court receipts in 2010 for the agency fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Village of Fletcher, Miami County and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Fletcher adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

October 8, 2012

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$3,066	\$18,941	\$22,007
Intergovernmental	25,616	26,619	52,235
Special Assessments		9,894	9,894
Fines, Licenses and Permits	25		25
Earnings on Investments	128	21	149
Miscellaneous	786	70	856
Total Cash Receipts	<u>29,621</u>	<u>55,545</u>	<u>85,166</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,450	33,239	35,689
Leisure Time Activities	5,656		5,656
Transportation		22,962	22,962
General Government	23,495	3,373	26,868
Total Cash Disbursements	<u>31,601</u>	<u>59,574</u>	<u>91,175</u>
Total Receipts Under Disbursements	<u>(1,980)</u>	<u>(4,029)</u>	<u>(6,009)</u>
Other Financing Receipts:			
Transfers In	2,076		2,076
Total Other Financing Receipts	<u>2,076</u>		<u>2,076</u>
Net Change in Fund Cash Balances	96	(4,029)	(3,933)
Fund Cash Balances, January 1	<u>27,669</u>	<u>48,611</u>	<u>76,280</u>
Fund Cash Balances, December 31:			
Restricted		44,582	44,582
Unassigned (Deficit)	27,765		27,765
Fund Cash Balances, December 31	<u>\$27,765</u>	<u>\$44,582</u>	<u>\$72,347</u>

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

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$84,488		\$84,488
Total Operating Cash Receipts	<u>84,488</u>		<u>84,488</u>
Operating Cash Disbursements:			
Personal Services	17,412		17,412
Employee Fringe Benefits	6,014		6,014
Contractual Services	72,859		72,859
Supplies and Materials	2,070		2,070
Other	3,915		3,915
Total Operating Cash Disbursements	<u>102,270</u>		<u>102,270</u>
Operating Income before Transfers	(17,782)		(17,782)
Transfers Out		(\$2,076)	(2,076)
Net Change in Fund Cash Balances	<u>(17,782)</u>	<u>(2,076)</u>	<u>(19,858)</u>
Fund Cash Balances, January 1	<u>54,235</u>	<u>2,076</u>	<u>56,311</u>
Fund Cash Balances, December 31	<u><u>\$36,453</u></u>	<u><u>\$0</u></u>	<u><u>\$36,453</u></u>

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

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$3,334	\$19,787		\$23,121
Intergovernmental	26,171	27,424	\$300,000	353,595
Special Assessments		10,356		10,356
Fines, Licenses and Permits	105			105
Earnings on Investments	83			83
Miscellaneous	437			437
Total Cash Receipts	<u>30,130</u>	<u>57,567</u>	<u>300,000</u>	<u>387,697</u>
Cash Disbursements:				
Current:				
Security of Persons and Property		38,185		38,185
Leisure Time Activities	5,548			5,548
Transportation	7,500	26,618		34,118
General Government	29,855	388		30,243
Capital Outlay			300,000	300,000
Total Cash Disbursements	<u>42,903</u>	<u>65,191</u>	<u>300,000</u>	<u>408,094</u>
Total Receipts Over/(Under) Disbursements	<u>(12,773)</u>	<u>(7,624)</u>		<u>(20,397)</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	9,000			9,000
Total Other Financing Receipts / (Disbursements)	<u>9,000</u>			<u>9,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,773)	(7,624)		(11,397)
Fund Cash Balances, January 1	<u>31,442</u>	<u>56,235</u>		<u>87,677</u>
Fund Cash Balances, December 31	<u>\$27,669</u>	<u>\$48,611</u>	<u>\$0</u>	<u>\$76,280</u>

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

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$99,243		\$99,243
Fines, Licenses and Permits		\$1,295	1,295
Total Operating Cash Receipts	<u>99,243</u>	<u>1,295</u>	<u>100,538</u>
Operating Cash Disbursements:			
Personal Services	15,161		15,161
Employee Fringe Benefits	5,317		5,317
Contractual Services	46,451		46,451
Supplies and Materials	2,184		2,184
Other	10,380		10,380
Total Operating Cash Disbursements	<u>79,493</u>		<u>79,493</u>
Operating Income	<u>19,750</u>	<u>1,295</u>	<u>21,045</u>
Fund Cash Balances, January 1	<u>34,485</u>	<u>781</u>	<u>35,266</u>
Fund Cash Balances, December 31	<u>\$54,235</u>	<u>\$2,076</u>	<u>\$56,311</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fletcher, Miami County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, water utilities and park operations. The Village contracts with the Miami County Sheriff Office for police protection services and the JSP Joint Fire District to receive fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits

The Village has an interest bearing checking account and savings account which are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways.

Fire Fund - This fund receives tax levy monies for providing fire protection.

Ambulance Fund - This fund receives tax levy monies for providing emergency medical services.

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

OPWC Capital Projects Fund – This fund received resources from the Ohio Public Works Commission for Village capital projects.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounted for the Village Mayor's Court. The Mayor's Court had start up monies, which are carried in this fund. The Mayor's Court ended in December 2009, and the account was fully closed out in January 2011.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Village 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.

VILLAGE OF FLETCHER
MIAMI COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$108,800	\$132,591

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,693	\$ 31,697	(\$14,996)
Special Revenue	46,860	55,545	8,685
Enterprise	99,000	84,488	(14,512)
Total	\$192,553	\$171,730	(\$20,823)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 73,372	\$ 31,601	\$ 41,771
Special Revenue	94,448	59,574	34,874
Enterprise	153,235	102,270	50,965
Total	\$321,055	\$193,445	\$127,610

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,347	\$ 39,130	(\$ 61,217)
Special Revenue	47,139	57,567	10,428
Capital Projects		300,000	300,000
Enterprise	73,000	99,243	26,243
Total	\$220,486	\$495,940	\$275,454

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,489	\$42,903	\$37,586
Special Revenue	103,364	65,191	38,173
Capital Projects		300,000	(300,000)
Enterprise	107,485	79,493	27,992
Total	\$291,338	\$487,587	(\$196,249)

Contrary to Ohio law, the Village did not routinely encumber funds in violation of Ohio Rev. Code Section 5705.41(D). In addition, the Village had budgetary expenditures exceed appropriations in the Capital Projects Fund by \$300,000 at December 31, 2010.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Village's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010 OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. SUBSEQUENT EVENT

On February 24, 2012, the Village entered into a loan agreement with Fifth Third Bank in the amount of \$180,000 to finance renovations to the Village's water plant. The loan is for ten years with a rate of 2.9%. Payments are made in ten annual installments. Additionally, the Village entered into a contract with Pioneer to redo the Village's water plant at a cost of \$160,000.

8. NONCOMPLIANCE

The Village failed to properly classify various transactions in its books and properly present its annual report as required by law.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Fletcher
Miami County
PO Box 119
Fletcher, Ohio 45326

To the Village Council:

We have audited the financial statements of the Village of Fletcher, Miami County (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 8, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We also noted that the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for year ending December 31, 2011 and that we were unable to obtain sufficient audit evidence supporting the Village's receipts amounting to \$1,295 for the Mayor's Court Agency Fund at December 31, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 through 2011-03 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-06.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 8, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

October 8, 2012

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 733.28 states, in part, that the Village Clerk should keep the books of the Village and exhibit accurate statements of all monies received and expended.

The Village utilized the Uniform Accounting Network (UAN) to record revenue and expenditure transactions during 2010 and 2011. Examination of the 2011 and 2010 UAN revenue and expenditure journal noted that transactions were not always correctly recorded. The following errors were noted with the 2011 and 2010 annual financial reports:

- In 2010, sale of assets in the General Fund was understated by \$9,000 and miscellaneous revenue was overstated by \$9,000.
- In 2010, General Fund intergovernmental revenue was understated by \$705; property tax revenue was overstated by \$704; and general government expenditures were understated by \$4
- In 2010, Special Revenue Funds intergovernmental revenue was understated by \$4,048; property tax revenue was overstated by \$4,034; and general government expenditures were understated by \$14.
- In 2010, on-behalf of monies received from the Ohio Public Works Commission in the amount of \$300,000 during the year for projects within the Village were not recorded on the accounting system or included in the annual financial report. In accordance with Auditor of State Bulletin 2002-004, the Village should have recorded a receipt and expenditure in the Capital Projects Fund equal to the amount disbursed by the OPWC. Additionally per Bulletin 2002-004, the Village should have included in its amended certificate of estimated resources and appropriations measures the amount to be received. The Village did not update its amended certificate of estimated resources or appropriations for these funds in 2010 which resulted in violations of Ohio Rev. Code Sections 5705.36(A)(3) and 5705.41(B).
- In 2011, General Fund intergovernmental revenue was understated by \$616 and property tax revenue was overstated by \$616.
- In 2011, Special Revenue Funds intergovernmental revenue was understated by \$1,481 and property tax revenue was overstated by \$1,481.
- In 2011 and 2010, expenditures were incorrectly recorded as other financing uses in the amounts \$10,366 and \$13,177 in the General Fund respectively; \$4,595 in the Street Maintenance Fund for 2010; and \$34,450 and \$20,285 in the Water Fund in 2011 and 2010 respectively.
- The 2011 and 2010 annual reports did not present the Mayor's Court (Agency Fund) which understated the 2010 revenue by \$1,295 and beginning fund balance by \$781, and 2011 expenditures and beginning fund balance by \$2,076 respectively.
- The 2011 General Fund did not properly present the transfer of the remaining Mayor's Court funds after the account had been closed out. Fines, licenses, and permits were overstated by \$2,076, and transfers in were understated by \$2,076.

The failure to accurately and timely post transactions resulted in material misstatements of the financial statements. The above adjustments have been made to the accompanying financial statements.

**FINDING NUMBER 2011-01
(Continued)**

The Village should develop and implement procedures to verify accurate recordkeeping of all its activities. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen. Additionally, independent detailed reviews should be performed over the Village accounting records as a means of providing for their accuracy.

Officials' Response: Village Officials' declined to respond to this finding.

FINDING NUMBER 2011-02

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.10(D) states, in part, that except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Additionally, **Ohio Rev. Code Section 727.01** states, in part, that each municipal corporation shall have special power to levy and collect special assessments. The legislative authority of a municipal corporation may assess upon the abutting, adjacent, and contiguous, or other specially benefited, lots or lands in the municipal corporation, any part of the cost connected with the improvement of any street, alley, dock, wharf, pier, public road, place, boulevard, parkway, or park entrance or an easement of the municipal corporation available for the purpose of the improvement to be made in it by grading, draining, curbing, paving, repaving, repairing, treating the surface with substances designed to lay the dust on it or preserve it, constructing sidewalks, piers, wharves, docks, retaining walls, sewers, sewage disposal works and treatment plants, sewage pumping stations, water treatment plants, water pumping stations, reservoirs, and water storage tanks or standpipes, together with the facilities and appurtenances necessary and proper therefor, drains, storm-water retention basins, watercourses, water mains, or laying of water pipe, or the lighting, sprinkling, sweeping, or cleaning thereof.

The Village recorded special assessment revenues and expenditures from the street lighting special assessments in the amounts of \$9,894 and \$9,347 in 2011 and \$10,356 and \$9,347 in 2010 into the general fund; however, in accordance with the aforementioned code section all special assessments revenues and related expenditures should be recorded into a separate special revenue fund. Adjustments have been made to the accompanying financial statements and the accounting ledgers of the Village.

The Village should implement procedures to verify that all revenues of the municipality are properly recorded into the correct fund classification. Failure to do so could result in material misstatements of the financial statements.

Officials' Response: Village Officials' declined to respond to this finding.

FINDING NUMBER 2011-03

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.351(A), states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. During the audit engagement the following items were noted as being removed or destroyed:

- One instance of \$2,931 in which check stubs were not attached to the expenditure.
- Three instances totaling \$1,295 in which documentation for Mayor's Court deposits was not maintained to support the receipt.
- Fiscal Officers Bond for 2010 and 2011 with Nationwide Insurance Company.

The Village should implement procedures so that all records and other Village documentation are maintained and are only removed or destroyed in accordance with the Village's record retention schedule. Failure to retain these required public records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits.

Officials' Response: Village Officials' declined to respond to this finding.

FINDING NUMBER 2011-04

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision 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. 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 shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

A. "Then and Now" Certificate - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance 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 Village.

B. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2011-04
(Continued)**

C. Super Blanket Certificate - The Village may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for any (100%) expenditures examined, as the Village Fiscal Officer did not sign any of the certifications examined. Additionally, the Village Council has not established by resolution or ordinance a certain amount for Blanket Certificates.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Officials' Response: Village Officials' declined to respond to this finding.

FINDING NUMBER 2011-05

Finding for Recovery – Overpayment of Wages – Repaid Under Audit

State ex rel. McClure v. Hageman. 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Village Board of Public Affairs on May 12, 2011 approved the annual salary for the Board of Public Affairs Clerk at \$600, and the annual salary for the Board of Public Affairs Billing Clerk at \$3,600 (\$3,000 2010 salary multiplied by 20% approved increase). Julie Vaughan held both positions during 2011 and was paid \$650 for being the Board of Public Affairs Clerk and \$3,900 for being the Board of Public Affairs Billing Clerk, resulting in an overpayment of \$350.00. There was no indication that the Village's Board of Public Affairs approved the overpayments to Ms. Vaughan. Additionally, there was no documentation to support that the overpayments were otherwise for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code 9.39; State ex. rel. Village of Linndale v. Masten, 18 OhioSt. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

**FINDING NUMBER 2011-05
(Continued)**

Accordingly, a Finding for Recovery is hereby issued against Village Fiscal Officer Julie Vaughan in the amount of \$350 and in favor of the Village of Fletcher Water Fund.

Julie Vaughan repaid \$350 on October 30, 2012 via check 5002 to the Village of Fletcher. The amount was recorded in the Village accounting records on November 3, 2012 via receipt number 79-2012 to the Village Water Fund.

Officials' Response: This was a clerical error and has been corrected.

FINDING NUMBER 2011-06

Finding for Recovery - Overpayment of Wages – Repaid Under Audit

State ex rel. McClure v. Hageman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Village Board of Public Affairs on May 12, 2011 approved the annual salary for Joseph Sampson, Water Superintendent at \$18,720. Mr. Sampson was paid \$18,843 during 2011, which is an overpayment of \$123. There was no indication that the Village’s Board of Public Affairs approved the overpayments to Mr. Sampson. Additionally, there was no documentation to support that the overpayments were otherwise for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code 9.39; State ex. rel. Village of Linndale v. Masten, 18 OhioSt. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public Officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued jointly and severally against Village Water Superintendent Joseph Sampson and Village Fiscal Officer Julie Vaughan in the amount of \$123 and in favor of the Village of Fletcher Water Fund. Julie Vaughan, shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Joseph Sampson.

Julie Vaughan repaid \$123 on October 30, 2012 via check 5003 to the Village of Fletcher. The amount was recorded in the Village accounting records on November 3, 2012 via receipt number 80-2012 to the Village Water Fund.

Officials' Response: This was a clerical error and has been corrected.

**VILLAGE OF FLETCHER
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code 5705.41 (D)(1) – Prior Certification of Funds	No	Repeated as Finding 2011-04
2009-002	Ohio Rev. Code 5705.36 (A)(2)(3)(4) – Appropriations in excess of actual resources	Yes	
2009-003	Ohio Rev. Code 733.28 – Failure to properly classify receipts and disbursements	No	Repeated as Finding 2011-01



Dave Yost • Auditor of State

VILLAGE OF FLETCHER

MIAMI 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 27, 2012**