



Dave Yost • Auditor of State



VILLAGE OF VINTON  
GALLIA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Vinton  
Gallia County  
121 Clay Street  
P.O. Box 8  
Vinton, Ohio 45686

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Vinton, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

***Basis for Qualified Opinion***

We were unable to obtain sufficient evidence to support the classification of \$61,216 and \$34,653 recorded as disbursements in the General, Special Revenue and Enterprise funds in 2012 and 2011 respectively which is 29% and 13% of total disbursements respectively.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Vinton, Gallia County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 20, 2013

**VILLAGE OF VINTON  
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$13,708		\$13,708
Intergovernmental	55,714	\$17,051	72,765
Charges for Services	15,850		15,850
Fines, Licenses and Permits	33		33
Miscellaneous	3,958		3,958
<i>Total Cash Receipts</i>	<u>89,263</u>	<u>17,051</u>	<u>106,314</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	23,850		23,850
Public Health Services	31,349		31,349
Leisure Time Activities	11,796	8,875	20,671
Basic Utility Services	4,344		4,344
Transportation	0	12,528	12,528
General Government	33,414		33,414
<i>Total Cash Disbursements</i>	<u>104,753</u>	<u>21,403</u>	<u>126,156</u>
<i>Net Change in Fund Cash Balances</i>	(15,490)	(4,352)	(19,842)
<i>Fund Cash Balances, January 1</i>	<u>41,417</u>	<u>7,987</u>	<u>49,404</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	3,635	3,635
Unassigned (Deficit)	25,927	0	25,927
<i>Fund Cash Balances, December 31</i>	<u><u>\$25,927</u></u>	<u><u>\$3,635</u></u>	<u><u>\$29,562</u></u>

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

**VILLAGE OF VINTON  
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$105,737
<i>Total Operating Cash Receipts</i>	<u>105,737</u>
<b>Operating Cash Disbursements</b>	
Contractual Services	28,183
Supplies and Materials	20,950
<i>Total Operating Cash Disbursements</i>	<u>49,133</u>
<i>Operating Income (Loss)</i>	<u>56,604</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Principal Retirement	(8,300)
Interest and Other Fiscal Charges	(30,168)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(38,468)</u>
<i>Net Change in Fund Cash Balances</i>	18,136
<i>Fund Cash Balances, January 1</i>	<u>74,797</u>
<i>Fund Cash Balances, December 31</i>	<u>\$92,933</u>

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



**VILLAGE OF VINTON  
GALLIA COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$13,785		\$13,785
Intergovernmental	114,324	\$57,389	171,713
Charges for Services	12,100		12,100
Fines, Licenses and Permits	225		225
Miscellaneous	6,291		6,291
<i>Total Cash Receipts</i>	<u>146,725</u>	<u>57,389</u>	<u>204,114</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	22,866		22,866
Public Health Services	21,163		21,163
Leisure Time Activities	16,098		16,098
Basic Utility Services	3,885		3,885
Transportation		60,750	60,750
General Government	28,162		28,162
Capital Outlay	10,000		10,000
Debt Service:			
Principal Retirement	14,118	4,339	18,457
Interest and Fiscal Charges	341	201	542
<i>Total Cash Disbursements</i>	<u>116,633</u>	<u>65,290</u>	<u>181,923</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,092</u>	<u>(7,901)</u>	<u>22,191</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Debt Proceeds	7,300		7,300
Sale of Capital Assets	10,000		10,000
Transfers In	5		5
<i>Total Other Financing Receipts (Disbursements)</i>	<u>17,305</u>	<u>0</u>	<u>17,305</u>
<i>Net Change in Fund Cash Balances</i>	47,397	(7,901)	39,496
<i>Fund Cash Balances, January 1</i>	<u>(5,980)</u>	<u>15,888</u>	<u>9,908</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	7,987	7,987
Unassigned (Deficit)	41,417	0	41,417
<i>Fund Cash Balances, December 31</i>	<u>\$41,417</u>	<u>\$7,987</u>	<u>\$49,404</u>

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

**VILLAGE OF VINTON  
GALLIA 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**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$95,941		\$95,941
Miscellaneous	931		931
<i>Total Operating Cash Receipts</i>	<u>96,872</u>	<u>\$0</u>	<u>96,872</u>
<b>Operating Cash Disbursements</b>			
Contractual Services	24,485		24,485
Supplies and Materials	12,886		12,886
Other	207		207
<i>Total Operating Cash Disbursements</i>	<u>37,578</u>	<u>0</u>	<u>37,578</u>
<i>Operating Income (Loss)</i>	<u>59,294</u>	<u>0</u>	<u>59,294</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments (proprietary funds only)	2		2
Principal Retirement	(9,140)		(9,140)
Interest and Other Fiscal Charges	(30,581)		(30,581)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(39,719)</u>	<u>0</u>	<u>(39,719)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	19,575	0	19,575
Transfers In	3,652		3,652
Transfers Out	(3,652)	(5)	(3,657)
<i>Net Change in Fund Cash Balances</i>	19,575	(5)	19,570
<i>Fund Cash Balances, January 1</i>	<u>55,222</u>	<u>5</u>	<u>55,227</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$74,797</u></u>	<u><u>\$0</u></u>	<u><u>\$74,797</u></u>

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

**VILLAGE OF VINTON  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 Vinton, Gallia County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and street maintenance. The Village contracts with the Gallia County Sheriff's department to provide security of persons and property. The Village appropriates General fund money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Public Entities Pool of Ohio provides insurance coverage for general liability and casualty, public officials' liability, and property.

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 and Investments**

The Village maintains all available monies of the Village in a checking account.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

VILLAGE OF VINTON  
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

D. **Fund Accounting (Continued)**

2. **Special Revenue Funds (Continued)**

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

3. **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 Funds:

Sewer Monthly Payment Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Debt Service Fund - This fund receives monies from residents to cover the cost of the debt service on the USDA loan.

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 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.

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 reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

VILLAGE OF VINTON  
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

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. **Nonspendable**

The Village classifies assets as *nonspendable* 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 VINTON  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(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:

	2012	2011
Demand deposits	\$122,495	\$124,201

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,743	\$89,263	(\$23,480)
Special Revenue	69,817	17,051	(52,766)
Enterprise	136,170	105,737	(30,433)
Total	\$318,730	\$212,051	(\$106,679)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$142,707	\$104,753	\$37,954
Special Revenue	71,977	21,403	50,574
Enterprise	144,780	87,601	57,179
Total	\$359,464	\$213,757	\$145,707

**VILLAGE OF VINTON  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$223,727	\$164,030	(\$59,697)
Special Revenue	47,916	57,389	9,473
Enterprise	81,057	100,526	19,469
Total	\$352,700	\$321,945	(\$30,755)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,050	\$116,633	\$1,417
Special Revenue	63,526	65,290	(1,764)
Enterprise	116,940	80,951	35,989
Total	\$298,516	\$262,874	\$35,642

Contrary to Ohio law, appropriations exceeded estimated resources in the FEMA fund by \$1,233 for the year ended December 31, 2012.

Contrary to Ohio law, expenditures exceeded appropriation authority in the FEMA fund by \$1,773 for the year ended December 31, 2012. Also, expenditures exceeded appropriation authority in the Street, Construction, Maintenance, and Repair fund by \$1,117 and in the State Highway fund by \$647 for the year ended December 31, 2011.

**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.

**VILLAGE OF VINTON  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
USDA Loans Sewer Project A	\$449,100	4.5%
USDA Loans Sewer Project B	\$213,100	4.5%
Total	\$662,200	

In fiscal year 2004, the Ohio Water Development Authority (OWDA) approved two loans totaling \$693,000 to finance additional expenditures of a sewage treatment project and to pay off the existing OWDA planning loan for the project. This loan was for interim financing of a wastewater collection system. This loan was repaid by financing approved by the USDA-Rural Development upon completion of the project in February, 2006. The Village has agreed to set utility rates sufficient to cover debt service payments. Payment of principal began in 2009. Both loans will mature in September, 2046.

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

Year ending December 31:	USDA Loans
2013	\$38,399
2014	38,412
2015	38,407
2016	38,484
2017	38,338
2018-2022	191,957
2023-2027	191,930
2028-2032	191,948
2033-2037	191,952
2038-2042	192,025
2043-2046	153,535
Total	\$1,305,387

**6. Retirement Systems**

Village officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.



**VILLAGE OF VINTON  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. Risk Pool Membership**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Government's share of these unpaid claims collectible in future years is approximately \$10,000.

**VILLAGE OF VINTON  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. Risk Pool Membership (Continued)**

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$10,860	\$9,271

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**8. Contingent Liabilities**

**Grants**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9. Related Party Transactions**

The minutes indicated the Village provided a loan for Mayor Joshua Whealdon, in the amount of \$2,635, which was secured by a John Deere mower.

**10. Subsequent Events**

The minutes indicated approval of a bid from Mechanical Construction in the amount of \$129,518 for the Vinton Wastewater Treatment Plant Improvement Project. However, as of December 31, 2012 construction had not commenced.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Vinton  
Gallia County  
121 Clay Street  
P.O. Box 8  
Vinton, Ohio 45686

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Vinton, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2013, wherein we noted the Village followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village has adopted Governmental Accounting Standards Board Statement No. 54. We also noted the Village did not provide adequate supporting documentation for 29% of 2012 disbursements and 13% of 2011 disbursements in the General, Special Revenue and Enterprise funds.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-01 described in the accompanying Schedule of Findings to be a material weakness.

**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, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-02.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 20, 2013

VILLAGE OF VINTON  
GALLIA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-01

**Material Weakness**

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01. During 2011 and 2012, a testing of the revenue and expenditures for each year indicated a significant number of receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. Because there were so many errors we determined we could not rely on the trial balances for proper classification. For example, various intergovernmental and tax revenues were not posted into the correct receipt classification or were posted at net. In addition, 40% of 2012 expenditures tested and 57% of 2011 expenditures tested were not properly classified as to function. This resulted in several adjustments to the receipt and expenditure line items. After posting the adjustments below, we were unable to determine the proper classification for 29% of 2012 and 13% of 2011 disbursements, resulting in a qualified opinion for the classified expenditure line items.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

2012

- The Village incorrectly posted items noted as General Revenue on the State Distribution Transaction List as Taxes which resulted in a reclassification in the amount of \$3,001.
- The Village incorrectly posted FEMA intergovernmental revenue as Miscellaneous in the General Fund in the amount of \$501 which resulted in a fund balance adjustment in the General and FEMA funds.
- The Village incorrectly posted Community Development Block Grant receipts in the amount of \$50,514 in 2012. Actual receipts and expenditures for the street paving project had been posted in 2011. This resulted in a fund balance adjustment in the Street fund.
- The Village incorrectly posted expenditures for fire-fighter training as Public Health Services instead of Security of Persons and Property which resulted in a reclassification in the General fund in the amount of \$1,326
- The Village incorrectly posted expenditures for insurance coverage as Leisure Time Activities instead of General Government which resulted in a reclassification in the General fund in the amount of \$3,503.
- The Village incorrectly posted contractual services as materials and supplies for work performed by private contractors at the sewer plant which resulted in a reclassification in the Sewer fund in the amount of \$3,800.

2011

- The Village incorrectly posted Capital Outlay related to a grant received by the fire department as Transfers Out which resulted in a reclassification in the General fund in the amount of \$10,000.
- The Village did not post a payment to Ohio Valley Bank for a tractor payment in the amount of \$301. This resulted in fund balance adjustments in the General fund, Street fund, and Sewer fund.
- The Village incorrectly allocated the debt payments for the tractor loan to various line items in the General fund which resulted in reclassifications totaling \$11,451.

VILLAGE OF VINTON  
GALLIA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-01 (Continued)

Material Weakness (Continued)

- The Village incorrectly allocated the debt payments for the tractor loan to the General fund rather than the Street and Enterprise funds in the amount of \$4,482. This resulted in fund balance adjustments in the General fund, Street fund, and Sewer fund.
- The Village incorrectly posted Proceeds of Debt as Miscellaneous Revenue which resulted in a reclassification in the General fund in the amount of \$7,300.
- The Village incorrectly posted the Sale of Asset as Miscellaneous Revenue which resulted in a reclassification in the General fund in the amount of \$10,000.
- The Village incorrectly posted expenditures for insurance coverage and audit costs as Leisure Time Activities instead of General Government which resulted in a reclassification in the General fund in the amount of \$4,254.
- The Village incorrectly posted expenditures for insurance coverage and audit costs as Public Health Service instead of General Government which resulted in a reclassification in the General fund in the amount of \$6,081.
- The Village incorrectly posted the repayment of the line of credit debt as Public Health Service instead of as Debt Principal and Interest which resulted in a reclassification in the General fund in the amount of \$7,324.
- The Village incorrectly posted General fund Intergovernmental Revenues of \$1,545 as Intergovernmental Revenue in the Street fund and State Highway fund in the amount of \$1,429 and \$116, respectively, which resulted in fund balance adjustments in the General, Street, and State Highway funds.
- The Village was carrying an unexplained reconciling item on the bank statement which resulted in a fund balance adjustment in the General fund in the amount of \$436.
- The Village incorrectly posted Debt Principal and Interest in the Street fund as Transportation and Capital Outlay which resulted in reclassifications totaling \$678.
- The Village incorrectly posted General fund Fire Department expenses and Materials and Supplies and Labor in the Street fund as Capital Outlay in the Street fund which resulted in reclassifications in the amount of \$2,855 and a fund balance adjustment in the amount of \$338 to the General and Street funds.
- The Village incorrectly posted the USDA loan payment as Materials and Supplies, Capital Outlay, and Other in the Sewer fund which resulted in reclassifications totaling \$38,424.
- The Village incorrectly posted Debt Principal and Interest in the Sewer fund as Supplies and Materials which resulted in reclassifications totaling \$542.
- The Village incorrectly posted Charges for Services as Capital Contributions in the Sewer Debt Reserve fund which resulted in reclassifications totaling \$2,895.
- The Village incorrectly posted Charges for Services as Other Debt Proceeds in the Sewer Debt fund which resulted in reclassifications totaling \$23,546.
- The Village incorrectly posted Charges for Services as Special Assessments in the Sewer Operating fund which resulted in reclassifications totaling \$48,219.
- The Village incorrectly posted bank transfers from the general checking account to the savings account as Charges for Services and Materials and Supplies which resulted in an overstatement of revenues and expenditures. Reductions of revenues and expenditures were made to these line items in the amount of \$2,885 each.

**VILLAGE OF VINTON  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-01 (Continued)**

- The Village incorrectly posted expenditures for insurance coverage and audit costs as Materials and Supplies instead of Contractual Services which resulted in a reclassification in the Sewer fund in the amount of \$3,664.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures. A review of the established accounts should be made and new accounts should be added to the UAN system if needed. A member of Council, preferably a member of the Finance Committee, should also become familiar with the account coding in order to recognize errors and make corrections in a timely manner.

**FINDING NUMBER 2012-02**

**Noncompliance**

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 a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The 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.

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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the 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 a 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 taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in 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 year. 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.

VILLAGE OF VINTON  
GALLIA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-02 (Continued)

3. Super Blanket Certificate – The entity may also make expenditures and contracts 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. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 50% of the expenditures tested during 2011 and 2012. In addition there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost some of the control over expenditures.

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, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:**

We did not receive a response from Officials to the findings reported above.



**VILLAGE OF VINTON  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Material Weakness for posting of receipts and expenditures	No	Reissued as Finding Number 2012-01
2010-002	Material Weakness for incomplete reconciliations	Yes	
2010-003	Material Weakness for posting of estimated receipts and appropriations	No	Reissued as Management Letter recommendation
2010-004	ORC 5705.10 for funds used only for the purposes specified	No	Reissued as Management Letter citation
2010-005	ORC 5705.41(B) for expenditures exceeding appropriations	No	Reissued as Management Letter citation
2010-006	ORC 5705.41(D) for improper encumbering	No	Reissued as Finding Number 2012-02

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# Dave Yost • Auditor of State

**VILLAGE OF VINTON**

**GALLIA 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 9, 2013**