



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF MONTEZUMA  
MERCER COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Montezuma  
Mercer County  
69 W. Main Street  
P.O. Box 178  
Montezuma, Ohio 45866

To the Village Council:

We have audited the accompanying financial statements of the Village of Montezuma, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As stated in Note 7, the Village was placed in Fiscal Watch by the Auditor of State on April 24, 2000 in accordance with Ohio law.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the Village Council, Mayor, Clerk, and the Village's legal counsel, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

July 10, 2000



**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

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

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$3,171	\$706	\$3,877
Intergovernmental	20,581	15,491	36,072
Licenses, Permits, and Fees	24	0	24
Interest	4	136	140
Miscellaneous	287	0	287
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	24,067	16,333	40,400
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	3,821	0	3,821
Public Health Services	448	0	448
Basic Utility Services	1,908	0	1,908
Transportation	0	14,253	14,253
General Government	19,449	0	19,449
Capital Outlay	0	8,000	8,000
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	25,626	22,253	47,879
Total Receipts Over/(Under) Disbursements	(1,559)	(5,920)	(7,479)
Other Financing Sources / (Uses)			
Transfer-In	0	1,000	1,000
Transfer-Out	(1,000)	0	(1,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources / (Uses)	(1,000)	1,000	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,559)	(4,920)	(7,479)
Fund Cash Balances, January 1, 1999	(827)	10,361	9,534
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31, 1999</b>	<u>(\$3,386)</u>	<u>\$5,441</u>	<u>\$2,055</u>

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

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Funds		
	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Local Taxes	\$2,588	\$668	\$3,256
Intergovernmental	20,807	24,334	45,141
Licenses, Permits, and Fees	30	0	30
Interest	92	201	293
Miscellaneous	1,114	0	1,114
	24,631	25,203	49,834
<b>Total Cash Receipts</b>	24,631	25,203	49,834
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	6,092	0	6,092
Public Health Services	447	0	447
Basic Utility Services	5,518	0	5,518
Transportation	0	26,355	26,355
General Government	17,972	0	17,972
Capital Outlay	575	575	1,150
	30,604	26,930	57,534
<b>Total Cash Disbursements</b>	30,604	26,930	57,534
<b>Total Receipts Over/(Under) Disbursements</b>	(5,973)	(1,727)	(7,700)
<b>Fund Cash Balances, January 1, 1998</b>	5,146	12,088	17,234
<b>Fund Cash Balances, December 31, 1998</b>	(\$827)	\$10,361	\$9,534

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



**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Montezuma, Mercer County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, park operations (leisure time activities), and fire protection. The Village contracts with the Mercer County Sheriff's department to provide security of persons and property and the Mercer County Emergency Ambulance for ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

The Village's checking account is valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

CDBG Fund -This fund receives CDBG grant awards from Mercer County Department of Community Development and the funds are used for Village improvements.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u><b>1999</b></u>	<u><b>1998</b></u>
Demand deposits	\$2,055	\$9,534

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

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,422	\$ 24,067	\$ (355)
Special Revenue	8,002	17,333	9,331
Total	\$ 32,424	\$ 41,400	\$ 8,976

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 26,702	\$ 26,626	\$ 76
Special Revenue	15,256	22,253	(6,997)
Total	\$ 41,958	\$ 48,879	\$ (6,921)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 23,272	\$ 24,631	\$ 1,359
Special Revenue	2,815	25,203	22,388
Total	\$ 26,087	\$ 49,834	\$ 23,747

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 37,533	\$ 30,604	\$ 6,929
Special Revenue	5,794	26,930	(21,136)
Total	\$ 43,327	\$ 57,534	\$ (14,207)

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY** (Continued)

The Village did not obtain a new amended certificate, during either 1998 or 1999, to show the changes in the ending balances, a reduced amended certificate during 1999 to account for the deficit between 1999 estimated receipts and 1999 actual receipts in the State Highway Fund which resulted in actual 1999 available resources to fall below current 1999 appropriations, and an amended certificate during 1998 or 1999 that included the CDBG monies.

Ohio Rev. Code Section 5705.38 requires that an appropriation measure should be passed on or about the first day of the fiscal year. If such measure is not passed, the subdivision may pass a temporary appropriation measure to cover expenses until April 1.

For 1998 only, the Village neither passed a permanent appropriation measure on or about the first day of the fiscal year nor did it pass a temporary appropriation measure until the permanent appropriation measure was passed, which was March 28, 1998.

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 1998, actual expenditures in the Street Fund and CDBG Fund exceeded appropriations. During 1999, actual expenditures in the Street Fund and CDBG Fund exceeded appropriations.

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

The Clerk honored expenditures for which the purchase of goods and services preceded the certification of the Clerk. In addition, there was no evidence of the Clerk executing a "Then and Now" certificate, as allowed per Revised Code, when prior certification was not obtained.

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations in the General Fund exceeded estimated resources during 1998 and 1999.

**4. PROPERTY TAX**

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

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

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**4. PROPERTY TAX (Continued)**

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 elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries.

**6. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- General liability
- Auto liability
- Property coverage
- Inland marine coverage
- Public officials

**7. SUBSEQUENT EVENTS**

On April 24, 2000, the Auditor of State declared the Village of Montezuma to be in a state of fiscal watch under Section 118.022, Ohio Revised Code. This declaration accompanies a determination of net fund balance deficits or other adverse fiscal conditions. When under fiscal watch, the Village is eligible for certain technical and support services, to be paid by the State Controlling Board. At December 31, 1999, the Village had deficit fund balances as follows:

General Fund	(\$3,386)	Street Maintenance & Repair Fund	(\$1,607)
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The Village has been placed in fiscal watch based upon meeting the following fiscal watch conditions: a) the deficit in the General Fund exceeds one-twelfth of the general fund budget as of December 31, 1999 and b) the treasury balance less the positive fund balances exceeds one-twelfth of the treasury receipts as of December 31, 1999.

At June 30, 2000, the Village had a deficit fund balance as follows:

General Fund	(\$979)
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**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**7. SUBSEQUENT EVENTS** (Continued)

The Village is consulting with Local Governmental Service of the Auditor of State's office to develop several options that the Village may pursue to correct its financial condition. However, as of the report date, the Village Council has not taken any corrective action and the Village is in the process of review by the Auditor of State for fiscal emergency status.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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

Village of Montezuma  
Mercer County  
69 W. Main Street  
P.O. Box 178  
Montezuma, Ohio 45866

To the Village Council:

We have audited the accompanying financial statements of the Village of Montezuma, Mercer County, Ohio (the Village), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated July 10, 2000, wherein we noted that the Village has been placed on Fiscal Watch in accordance with Ohio law. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30254-001 through 1999-30254-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 10, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-30254-009 and 1999-30254-010.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-30254-009 and 1999-30254-010 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 10, 2000.

This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

July 10, 2000



**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	1999-30254-001
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Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-5-18 requires the village to file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the Auditor of State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not complete and file the annual report for 1998 within the time requirement. Due to the condition of the Village's records, the 1998 and 1999 financial records were reconstructed by Local Government Services. As part of the reconstruction, Local Governmental Services prepared and submitted the 1998 and 1999 financial reports. There is no evidence that the Village published a notice in a local newspaper stating the financial reports were available for public inspection at the office of Village Clerk for either 1998 or 1999.

Subdivisions not preparing and filing financial reports in a timely manner as required by the Ohio Administrative Code are subject to fines by the State of Ohio. Expenditures for fines do not reflect fiscal responsibility.

The financial report should be completed within 60 days of fiscal year end, filed with the Auditor of State's office, and notice of availability should be published in a local newspaper.

Finding Number	1999-30254-002
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Ohio Rev Code Section 5705.10, states that monies paid into any fund shall be used only for which purpose such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

At December 31, 1999, the following deficit fund balances existed:

General Fund    (\$3,386)                      Street Maintenance & Repair Fund    (\$1,607)

The Village should develop a plan of action to control operating costs or increase the revenues generated in the General and Street Maintenance and Repair Fund.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	1999-30254-003
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Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Village did not obtain: 1) a new amended certificate, in either 1998 or 1999, to show the changes in the ending balances as a result of prior period audit adjustments and adjustments identified and made during the reconstruction of records, 2) a reduced amended certificate in 1999 to account for the deficit between 1999 estimated receipts and 1999 actual receipts in the State Highway Fund which resulted in actual 1999 available resources to fall below current 1999 appropriations, and 3) an amended certificate in 1998 or 1999 that included the CDBG monies.

The Village should obtain an amended certificate when there is a new source of revenue that will be appropriated or when a deficit between budget revenues and actual revenues results in available resources to fall below the current level of appropriation.

Finding Number	1999-30254-004
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Ohio Rev. Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1 (October 1 for school districts).

The Village did not pass a temporary appropriation measure for 1998; the permanent appropriation measure was passed on March 28, 1998. The Village made expenditures from January 1, 1998 until March 28, 1998 without an appropriation measure.

The Village should pass a temporary appropriation measure if the permanent appropriation measure will not be passed on or about the first day of the fiscal year.

Finding Number	1999-30254-005
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Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations in the General Fund exceeded estimated resources in 1998 and 1999.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

(Continued)

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	1999-30254-005 (Continued)
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The Village should monitor the relationship between appropriations and estimated resources and obtain, as needed, amended certificates of estimated resources and pass supplemental appropriation measures to ensure that appropriations do not exceed estimated resources.

Finding Number	1999-30254-006
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 1998, actual expenditures in the Street Fund and CDBG Fund exceeded appropriations. During 1999, actual expenditures in the Street Fund and CDBG Fund exceeded appropriations.

The Village should monitor budget appropriations versus actual expenditures and if actual expenditures are nearing the appropriations limit in a particular line account, either the Village should, as long as total appropriations do not exceed estimated resources, pass supplemental appropriations to increase the line account's appropriations or cease expending monies from the line account.

Finding Number	1999-30254-007
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Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Exceptions, provided by statute, to this basic requirement is as follows:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

For 100% of expenditures reviewed, the Village did not properly certify the funds, the purchase of goods and services preceded the certification of the Clerk. In addition, there was no evidence of the Clerk executing a "Then and Now" certificate, as allowed per Revised Code, when prior certification was not obtained.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

Finding Number	1999-30254-007 (Continued)
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The Village should obtain the required certification prior to purchasing goods or services for the Village. When certification has not been obtained prior to the obligation, the Clerk should obtain a "Then and Now Certificate" and get subsequent approval within thirty days by the Village Council for all amounts over one thousand dollars.

Finding Number	1999-30254-008
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Ohio Admin. Code Section 117-5-09 states that each village shall record each expenditure of village money and each receipt of village money in a cash journal. It also prescribes the manner in which receipts and expenditures are to be recorded.

Ohio Admin. Code Section 117-5-10, states that each village shall maintain a receipts ledger with individual sheets for each account established that will show the estimated amount of money to be received into the account, the amount actually received per the cash journal posted to the "amount received" column and in the "credit" column and subtracted from the budget estimate amount ("balance"). The information should show the date, name of payor, purpose, receipt number, year to date amount received, and remaining anticipated amount to be received.

Ohio Admin. Code Section 117-5-11 states that each village shall maintain an appropriations ledger with individual sheets for each account established that will show the annual appropriation amount for that account, the amount actually expended per the cash journal, and the remaining amount of appropriation after the expenditure. The information should show date, payee, warrant number, purchase order number, and purpose. The appropriate columns shall be totaled and reconciled monthly and yearly.

Without proper use of the accounting forms prescribed by the Ohio Administrative Code, the financial statements of the Village could be materially misstated or misleading. Errors and irregularities could occur without detection in the normal course of business.

The cash journal did not have year-to-date totals, was not reconciled to the depository balance, and did not reflect all receipts and expenditures of the Village. The receipts ledger did not maintain a separate sheet for each account established, did not reflect the estimated resources as set forth in the certificate of estimated resources, the anticipated revenue (estimated resources less collections), or the year-to-date amounts. The appropriations ledgers did not contain a separate sheet for each account, reflect the amount appropriated as reported in the appropriations resolution, subtract each encumbrance and reflect the unencumbered balance when each purchase order was issued, and did not reflect monthly and yearly totals.

The cash journal, receipts ledger and appropriations ledger should be maintained in the manner described above

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	1999-30254-009
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**Training and Accounting Records**

Due to the fact that the village clerk position is an elected office, there is the possibility that an individual, who may not possess financial expertise and/or experience with governmental accounting, could be elected to the clerk's office. A village clerk is required to maintain a receipts journal, appropriations ledger, and a cash journal. In order to reduce the risk that the financial records may not be maintained in a manner prescribed by the Ohio Administrative Code, new and current village clerks should be provided the opportunity to attend instructional training seminars and be given instructional materials such as, but not limited to, the Village Officer's Handbook and the Ohio Compliance Supplement.

The Village has experienced a large turnover in the number of individuals who have held the Clerk's office. There is no evidence that any of these individuals were either sent to training seminars or were provided with instructional reference materials. If a new village clerk does not receive appropriate training and/or reference materials to gain knowledge of the position and the duties involved, there is an increased risk that the Village's financial records will not be properly maintained, financial reports may be misstated, the Village may not be in compliance with applicable laws and regulations regarding financial information reporting, and misappropriations and/or irregularities may occur that may not be detected in the normal course of business.

The Village Council should establish procedures to ensure that new village clerks receive adequate training for the clerk's position. These procedures can include, but are not limited to, receiving a seminar training schedule from the Auditor of State, ensure that updated copies of the Village Officer's Handbook, Payroll Procedures manual, and the Ohio Compliance Supplement are on hand in the Village's offices, maintain a correspondence file that includes Audit Bulletins issued by the Auditor of State, and ensure that computer hardware and software manuals along with technical support phone numbers are available if the financial system is computerized.

Finding Number	1999-30254-010
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**Monitoring Village Activity / Segregation of Duties**

In an entity the size of the Village of Montezuma, it is usually not cost effective to employ the basic internal controls necessary to provide management with reasonable assurance that all related procedures are functioning properly. The Clerk is responsible for all functions relating to the financial accounting records. Without a proper separation of duties, there is the possibility that errors or irregularities could occur and not be detected in a the normal course of business. It is therefore important that the Council monitor the financial activity closely. For each regular board meeting the Clerk-Treasurer should provide the Council with detailed actual receipts and disbursements information, financial statements, cash balances, and invoices to be paid. The Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village. This information can help answer questions such as the following:

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	1999-30254-010 (Continued)
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**Monitoring Village Activity / Segregation of Duties**

Inquiries Relevant to Overall Village Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs or expectations for increases or decreases?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and how will this impact the cash position?
- Are anticipated receipts being timely received?
- Are all services provided by suppliers and vendors being billed properly?
- Are accounts payable exceeding the cash fund balance?

Additionally, in order to reduce the risk of errors and/or irregularities, the Village Council should develop internal control procedures that make, to the best extent possible, the segregation of duties for the receipting, expenditure, and cycles, and for the reconciliation of records and should appoint a financial review committee, whose members are independent of the Clerk and have some financial expertise, to periodically review the financial records and reperform some of the procedures done by the Clerk. The following may be performed by the financial review committee:

1. Reconciliation of the bank statement and investments with the cashbook balance to ensure that the amounts corresponds Also, that the balance of the cashbook includes all active and invested money under the control of the Village.
2. Review the following month's bank statement to verify that the prior month's reconciling items, such as deposits-in-transit and outstanding checks were accurately stated.
3. Verify that the monthly and year-to-date totals are being maintained in the cashbook, receipt and appropriation ledgers and that they are in agreement.
4. Billings from payroll withholdings, retirement systems, insurances and utilities be reviewed to ensure that the obligations of the Village are being paid in a timely manner.
5. Verify that the sum of the duplicate receipts agrees to the bank deposits;
6. Verify that invoices paid agree to authorized vouchers and checks;
7. Review the budget versus actual data for receipts and expenditures;
8. Verify that the financial amounts presented in the monthly financial report agree to the supporting records

In addition to performing such a review, the reviewers' signatures or initials should be affixed to the documents, or other evidence should be retained documenting such reviews were performed. It may also be made a part of the minutes.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 1999 AND 1998**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or No Longer Valid; <b>Explain</b>
1997-30254-001	Monies due to the Village of Montezuma were sent to the Village of Chickasaw and were deposited by the Village of Chickasaw	Yes	The money was received and deposited by the Village of Montezuma on 9/17/98
1997-30254-002	Ohio Rev. Code 5705.38 No type of appropriation measure was passed for 1997 until March of 1997	No	Partially Corrected. See 1999-30254-004, the same condition existed for 1998. However, in 1999, a temporary appropriation measure was passed 1/99.
1997-30254-003	Ohio Rev. Code 5705.41 (D)	No	See 1999-30254-007
1997-30254-004	Ohio Adm. Code 117-5-10 The receipts ledger was not maintained properly	No	See 1999-30254-008
1997-30254-005	Ohio Adm. Code 117-5-11 The appropriations ledger was not maintained properly	No	See 1999-30254-008
1997-30254-006	Ohio Adm. Code 117-5-18 The financial reports were not prepared or filed	No	See 1999-30254-001. The Village contracted Local Governmental services to prepare and file the 1998 and 1999 financial reports. The reports were completed and filed in February 2000.
1997-30254-007	Training and Accounting Records	No	See 1999-30254-009. The Village had several Clerks in 1999 and there is evidence that only the last Clerk attended an outside training seminar.
1997-30254-008	Monitoring Village Activity	No	See 1999-30254-010

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 1999 AND 1998**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-30254-002	<p>Controlling Revenue: 1. Sell old tractor 2. Seek out donations for specific projects 3. Seek grants for specific projects 4. Levy tax for specific projects.</p> <p>Controlling Operating Costs: 1. Reduce police service 2. General maintenance work to be done by volunteers. 3. Limit Contractual services .</p>	Unknown	Fred Engelhardt, Council Member
1999-30254-005, 1999-30254-006, and 1999-30254-010	<p>1. Establish a Budget Committee within the Financial Committee to set percentages for spending in the coming fiscal year (establish in August) 2. Establish a Financial Review Committee to review financial records of Clerk/Treasurer 3. Review committee reports to Council quarterly</p>	Unknown	





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF MONTEZUMA**

**MERCER 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  
SEPTEMBER 19, 2000**