



**VILLAGE OF TIRO
CRAWFORD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF TIRO
CRAWFORD COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Tiro
Crawford County
P.O. Box 31
Tiro, Ohio 44887

To the Village Council:

We have audited the accompanying financial statements of the Village of Tiro, Crawford County, Ohio, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

JIM PETRO
Auditor of State

May 31, 2001

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**VILLAGE OF TIRO
CRAWFORD COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$2,842	\$0	\$2,842
Intergovernmental Receipts	12,342	10,741	23,083
Charges for Services	100	0	100
Earnings on Investments	344	3,463	3,807
Miscellaneous	239	0	239
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	15,867	14,204	30,071
Cash Disbursements:			
Current:			
Security of Persons and Property	2,625	0	2,625
Basic Utility Services	500	0	500
Transportation	1,064	32,781	33,845
General Government	12,579	0	12,579
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	16,768	32,781	49,549
Total Cash Receipts Over/(Under) Cash Disbursements	(901)	(18,577)	(19,478)
Fund Cash Balances January 1, 2000	<hr/>	<hr/>	<hr/>
	14,822	71,193	86,015
Fund Cash Balances, December 31, 2000	<u>\$13,921</u>	<u>\$52,616</u>	<u>\$66,537</u>

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

**VILLAGE OF TIRO
CRAWFORD 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 Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$2,830	\$0	\$2,830
Intergovernmental Receipts	14,365	14,102	28,467
Fines, Licenses, and Permits	200	0	200
Earnings on Investments	568	2,612	3,180
	<u>17,963</u>	<u>16,714</u>	<u>34,677</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	2,969	0	2,969
Transportation	985	3,946	4,931
General Government	11,861	0	11,861
	<u>15,815</u>	<u>3,946</u>	<u>19,761</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	2,148	12,768	14,916
Fund Cash Balances January 1, 1999	<u>12,674</u>	<u>58,425</u>	<u>71,099</u>
Fund Cash Balances, December 31, 1999	<u>\$14,822</u>	<u>\$71,193</u>	<u>\$86,015</u>

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

**VILLAGE OF TIRO
CRAWFORD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Tiro, Crawford County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including snow removal.

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF TIRO
CRAWFORD COUNTY**

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

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

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 type 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. The Village did not encumber all commitments, as required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF TIRO
CRAWFORD COUNTY**

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

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>2000</u>	<u>1999</u>
Demand deposits	\$ 4,481	\$ 26,943
Certificates of deposit	<u>21,930</u>	<u>21,367</u>
Total deposits	26,411	48,310
STAR Ohio	<u>40,126</u>	<u>37,705</u>
Total deposits and investments	<u><u>\$ 66,537</u></u>	<u><u>\$ 86,015</u></u>

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

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

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 15,897	\$ 15,897
Special Revenue	<u>0</u>	<u>14,204</u>	<u>14,204</u>
Total	<u><u>\$ 0</u></u>	<u><u>\$ 30,101</u></u>	<u><u>\$ 30,101</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 16,325	\$ 16,768	\$ (443)
Special Revenue	<u>58,050</u>	<u>32,781</u>	<u>25,269</u>
Total	<u><u>\$ 74,375</u></u>	<u><u>\$ 49,549</u></u>	<u><u>\$ 24,826</u></u>

**VILLAGE OF TIRO
CRAWFORD COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 9,620	\$ 17,963	\$ 8,343
Special Revenue	<u>8,738</u>	<u>16,714</u>	<u>7,976</u>
Total	<u>\$ 18,358</u>	<u>\$ 34,677</u>	<u>\$ 16,319</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 20,850	\$ 15,815	\$ 5,035
Special Revenue	<u>54,050</u>	<u>3,946</u>	<u>50,104</u>
Total	<u>\$ 74,900</u>	<u>\$ 19,761</u>	<u>\$ 55,139</u>

4. PROPERTY TAX

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

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 Mayor belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF TIRO
CRAWFORD COUNTY**

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

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, the Village's Mayor contributed 8.5% of his gross salary. The Village contributed an amount equal to 13.55% of the Mayor's gross salary from January 1, 1999 to June 30, 2000. Due to a rollback in employer contribution rates, this amount was reduced to 8.13% from July 1, 2000 to December 31, 2000. The Village has paid all contributions required through December 31, 2000.

Village Council members and the Clerk/Treasurer pay into Social Security.

6. RISK MANAGEMENT

The Village has obtained insurance through the Public Entities Pool of Ohio for the following risks:

- Comprehensive property and general liability

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

Village of Tiro
Crawford County
P.O. Box 31
Tiro, Ohio 44887

To the Village Council:

We have audited the financial statements of the Village of Tiro (the Village) as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated May 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30517-001, 2000-30517-002, and 2000-30517-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 31, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-30517-004 and 2000-30517-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 31, 2001.

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

JIM PETRO
Auditor of State

May 31, 2001

**VILLAGE OF TIRO
CRAWFORD COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-30517-001

Not Properly Certifying Expenditures

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This Section provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

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

We recommend that the Village certify expenditures before the time of commitment.

FINDING NUMBER 2000-30517-002

Receipts Ledger

Through June 30, 2000, Ohio Admin. Code Section 117-05-10(B) states that each village shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission on its official estimate of balances and receipts set forth in the certificate of estimated resources.

The Village did not post estimated receipts to its ledgers in 1999.

Ohio Admin. Code Section 117-2-02 (C) replaced the aforementioned Code section, effective July 1, 2000. This section recommends that governments integrate (i.e., post) budgetary receipts into the accounting system. The tracking of budgeted receipts as compared to actual is an essential tool that keeps management and Council informed of shortfalls as well as increases in receipts estimates. We recommend that the Clerk/Treasurer post estimated receipts to its ledgers.

**VILLAGE OF TIRO
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2000-30517-003

Appropriation Ledger

Through June 30, 2000, Ohio Admin. Code Section 117-05-11(B) required villages to post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s). Ohio Admin. Code Section 117-05-11(C) stated that each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance, producing a declining unencumbered balance. This procedure should use as the source posting document, an executed purchase order.

The Village did not post appropriations to its ledgers, nor did it use purchase orders for expenditures.

Ohio Admin. Code Section 117-2-02 (C) replaced the aforementioned Code sections, effective July 1, 2000. This section recommends that governments integrate (i.e., post) budgetary appropriations into the accounting system.

To facilitate proper budgetary control we recommend the Village post appropriations to its ledgers and use purchase orders for expenditures. The Clerk/Treasurer can also use purchase orders to certify the availability of funds.

FINDING NUMBER 2000-30517-004

Council Monitoring

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

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

Estimated resources were not used as a tool to monitor the receipt of local and intergovernmental revenue. Consequently, during 1999 checks sent by the County Auditor and Auditor of State totaling \$1,486 were not received by the Village and Officials did not know that the Village was entitled to the funds.

To use the budget as an effective management tool, we recommend the Council review monthly budgetary reports comparing budgeted receipts and expenditures to actual results of operations. Also, the Village should request a reissuance of the checks that were not received from the County Auditor and Auditor of State.

VILLAGE OF TIRO
CRAWFORD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

FINDING NUMBER 2000-30517-005

Timely Deposits

Some cash receipts were not being deposited on a timely basis. We noted that cash receipts totaling \$4,955 in 2000, and \$2,996 in 1999 were not deposited for more than thirty days.

As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditure or investment.

We recommend that deposits be made on a daily basis both to improve cash flow and reduce the risk of loss.

This recommendation was also applicable in the prior audit.



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VILLAGE OF TIRO
CRAWFORD 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
AUGUST 14, 2001**