

**VILLAGE OF CROWN CITY
GALLIA COUNTY
Regular Audit
December 31, 2009 and 2008**

Perry & Associates
Certified Public Accountants, A.C.

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Mary Taylor, CPA

Auditor of State

Village Council
Village of Crown City
P.O. Box 316
Crown City, Ohio 45623

We have reviewed the *Independent Accountants' Report* of the Village of Crown City, Gallia County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Crown City is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 17, 2010

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VILLAGE OF CROWN CITY
GALLIA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

July 23, 2010

Village of Crown City
Gallia County
P.O. Box 316
Crown City, Ohio 45623

To the Honorable Mayor and Members of Village Council:

We have audited the financial statements of the **Village of Crown City, Gallia County, Ohio, (the Village)** as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

Village of Crown City
Gallia County
Independent Accountants' Report
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Crown City, Gallia County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2010 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Local Taxes | \$ 1,063 | \$ - | \$ - | \$ 1,063 |
| Intergovernmental | 60,199 | 21,943 | - | 82,142 |
| Charges for Services | 4,567 | - | - | 4,567 |
| Fines, Licenses, and Permits | 755 | - | - | 755 |
| Earnings on Investments | 92 | 142 | - | 234 |
| Miscellaneous | 1,096 | 2,454 | - | 3,550 |
| | <u>67,772</u> | <u>24,539</u> | <u>-</u> | <u>92,311</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 41,560 | - | - | 41,560 |
| Transportation | - | 21,397 | - | 21,397 |
| Security of Persons and Property | 21,226 | 1,796 | - | 23,022 |
| Public Health Services | 150 | 1,950 | - | 2,100 |
| Debt Service: | | | | |
| Redemption of Principal | 7,470 | - | - | 7,470 |
| Interest and Fiscal Charges | 2,426 | - | - | 2,426 |
| | <u>72,832</u> | <u>25,143</u> | <u>-</u> | <u>97,975</u> |
| Total Cash Disbursements | | | | |
| Total Cash Receipts Over/(Under) Disbursements | <u>(5,060)</u> | <u>(604)</u> | <u>-</u> | <u>(5,664)</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Advances-In | - | 65 | - | 65 |
| Advances-Out | (65) | - | - | (65) |
| | <u>(65)</u> | <u>65</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Receipts/(Disbursements) | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (5,125) | (539) | - | (5,664) |
| Fund Cash Balances, January 1 | <u>1,102</u> | <u>100,558</u> | <u>6,865</u> | <u>108,525</u> |
| Fund Cash Balances, December 31 | <u>\$ (4,023)</u> | <u>\$ 100,019</u> | <u>\$ 6,865</u> | <u>\$ 102,861</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 4,982</u> | <u>\$ 2,141</u> | <u>\$ -</u> | <u>\$ 7,123</u> |

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

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Local Taxes | \$ 7,244 | \$ 3,022 | \$ - | \$ 10,266 |
| Intergovernmental | 62,183 | 19,312 | - | 81,495 |
| Charges for Services | 1,369 | - | - | 1,369 |
| Fines, Licenses, and Permits | 1,548 | - | - | 1,548 |
| Earnings on Investments | 2,804 | 221 | - | 3,025 |
| Miscellaneous | 289 | 6,606 | - | 6,895 |
| | <u>75,437</u> | <u>29,161</u> | <u>-</u> | <u>104,598</u> |
| Total Cash Receipts | | | | |
| | <u>75,437</u> | <u>29,161</u> | <u>-</u> | <u>104,598</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 40,142 | - | - | 40,142 |
| Transportation | 347 | 20,973 | - | 21,320 |
| Security of Persons and Property | 32,385 | - | - | 32,385 |
| Public Health Services | 3,834 | 3,150 | - | 6,984 |
| Leisure Time Activities | - | 84 | - | 84 |
| Debt Service: | | | | |
| Redemption of Principal | 4,770 | - | - | 4,770 |
| Interest and Fiscal Charges | 2,626 | - | - | 2,626 |
| Capital Outlay | - | 5,300 | - | 5,300 |
| | <u>84,104</u> | <u>29,507</u> | <u>-</u> | <u>113,611</u> |
| Total Cash Disbursements | | | | |
| | <u>84,104</u> | <u>29,507</u> | <u>-</u> | <u>113,611</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>(8,667)</u> | <u>(346)</u> | <u>-</u> | <u>(9,013)</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Transfers-In | - | 325 | - | 325 |
| Advances-In | - | 28 | - | 28 |
| Transfers-Out | (325) | - | - | (325) |
| Advances-Out | (28) | - | - | (28) |
| | <u>(353)</u> | <u>353</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Receipts/(Disbursements) | | | | |
| | <u>(353)</u> | <u>353</u> | <u>-</u> | <u>-</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (9,020) | 7 | - | (9,013) |
| Fund Cash Balances, January 1 (Restated - See Note 8) | 10,122 | 100,551 | 6,865 | 117,538 |
| Fund Cash Balances, December 31 | <u>\$ 1,102</u> | <u>\$ 100,558</u> | <u>\$ 6,865</u> | <u>\$ 108,525</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 18,684</u> | <u>\$ 5,220</u> | <u>\$ -</u> | <u>\$ 23,904</u> |

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

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Crown City, Gallia 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), maintenance of streets, police and fire protection (security of persons and property), and general Village maintenance.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

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 prescribed or permitted by the Auditor of State.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests all available funds in an interest-bearing checking account and a certificate of deposit.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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.

Fire Department Fund – This fund receives tax monies assessed and levied on general assessed valuation of real and personal property taxes for the operation of the fire department

3. Capital Projects

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

Sewer Fund- This fund receives intergovernmental funding to support the wastewater sewer treatment plant construction project.

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, and 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. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

| | 2009 | 2008 |
|------------------------|------------|------------|
| Demand Deposits | \$ 92,361 | \$ 96,025 |
| Certificate of Deposit | 10,500 | 12,500 |
| Total Deposits | \$ 102,861 | \$ 108,525 |

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-------------|
| General | \$ 76,190 | \$ 67,772 | \$ (8,418) |
| Special Revenue | 26,579 | 24,539 | (2,040) |
| Total | \$ 102,769 | \$ 92,311 | \$ (10,458) |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|------------|
| General | \$ 74,906 | \$ 77,814 | \$ (2,908) |
| Special Revenue | 43,375 | 27,284 | 16,091 |
| Total | \$ 118,281 | \$ 105,098 | \$ 13,183 |

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2008 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ - | \$ 75,437 | \$ 75,437 |
| Special Revenue | - | 29,161 | 29,161 |
| Total | \$ - | \$ 104,598 | \$ 104,598 |

| 2008 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 118,590 | \$ 102,788 | \$ 15,802 |
| Special Revenue | 93,935 | 34,727 | 59,208 |
| Total | \$ 212,525 | \$ 137,515 | \$ 75,010 |

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 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.

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

All of the Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS), except for one employee who has chosen to pay into Social Security instead. OPERS is a cost-sharing, multi-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 2009 and 2008, members of OPERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

| Description: | Principal | Interest Rate |
|---------------------------|-------------------------|---------------|
| Building Acquisition Bond | \$ 54,849 | 4.00% |
| OWDA #3372 | <u>7,500</u> | 0.00% |
| Total | <u><u>\$ 62,349</u></u> | |

The Building Acquisition Bond relates to the building purchased for the Fire Department. A bond agreement was signed with the Ohio Valley Bank for \$100,000 at 4% interest due in annual installments for twenty years. The first payment was made November 1, 1999. The Building Acquisition Bond is collateralized by the Village's taxing authority.

The Ohio Water Development Authority Loan relates to the installation of a new sewer system for the Village. The loan was signed with the Ohio Water Development Authority for \$25,000 at 0% interest due in annual installments. The first payment was made January 2, 2002. The OWDA loan is collateralized by the Village's taxing authority.

In 2009, the OWDA also approved up to \$424,200 in loans to the Village for the construction of a water and sewer plant. The Village is to repay the loan in 2020. As of the end of 2009, the Village had not incurred any liabilities relating to this debt other than the OWDA fee.

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

| Year ending | | |
|--------------|-------------------------|------------------------|
| December 31: | Building | OWDA |
| 2010 | \$ 7,396 | \$ 2,500 |
| 2011 | 7,396 | 2,500 |
| 2012 | 7,396 | 2,500 |
| 2013 | 7,396 | - |
| 2014 | 7,396 | - |
| Thereafter | <u>29,584</u> | - |
| Total | <u><u>\$ 66,564</u></u> | <u><u>\$ 7,500</u></u> |

The amortization for the new OWDA loan is not included since the project is not complete.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member's needs.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts which vary from Member to Member.

Plan Members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a Member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former Member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 (the latest information available):

| | <u>2008</u> | <u>2007</u> |
|-----------------|---------------------|---------------------|
| Assets | \$ 10,471,114 | \$ 11,136,455 |
| Liabilities | 5,286,781 | 4,273,553 |
| Members' Equity | <u>\$ 5,184,333</u> | <u>\$ 6,862,902</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. PRIOR PERIOD FUND BALANCE ADJUSTMENTS

The Village made fund balance adjustments in 2008 in the General and Special Revenue Funds to adjust for several voided warrants that were reflected in the balance as of December 31, 2007.

| | General Fund |
|---------------------------------------|-----------------------|
| Balance as of December 31, 2007 | \$ 8,989 |
| Adjustment for 2007 voided warrants | 1,133 |
| Adjusted January 1, 2008 Fund Balance | \$ 10,122 |
| | |
| | Special Revenue Funds |
| Balance as of December 31, 2007 | \$ 100,440 |
| Adjustment for 2007 voided warrants | 111 |
| Adjusted January 1, 2008 Fund Balance | \$ 100,551 |

9. GOING CONCERN

The Village's expenses in the General Fund have exceeded revenues for the years of 2006, 2007, 2008, and 2009. In addition, an Advance in 2009 from the Street Construction, Maintenance and Repair Fund to the General Fund was determined to be improper and the accompanying financial statements reflect the audit adjustment to return the Advance. As a result, the General Fund has a deficit at the end of 2009.

While the Village is in a positive cash balance position, the majority of the cash is in the Street Construction, Maintenance, and Repair and State Highway Funds. The uses of these funds are limited either by statute or by levy ballot language and therefore, the Village is not permitted to use these monies to remedy the deficit balances.

Based on information currently available, the Village has begun paying expenditures from other funds if possible, and is considering overall reductions in expenditures.

The Auditor of State has various remedies available to it, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken.

The accompanying financial statements do not include any adjustments that might be necessary if the Village is unable to continue as a going concern.

Perry & Associates
Certified Public Accountants, A.C.

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

July 23, 2010

Village of Crown City
Gallia County
P.O. Box 316
Crown City, Ohio 45623

To the Honorable Mayor and Members of Village Council:

We have audited the financial statements of the **Village of Crown City, Gallia County, Ohio** (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 23, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-003 described in the accompanying schedule of findings to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-004 and 2009-005 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as finding 2009-001.

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 23, 2010.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF CROWN CITY
GALLIA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation/Material Weakness

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had a negative fund balance at December 31, 2009 as follows:

| <u>Fund</u> | <u>2009</u> |
|--------------|-------------|
| General Fund | (4,023) |

We recommend the Village monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Village advance monies from the General Fund until the debtor fund can advance the monies back. In this case we recommend that expenditures and income be watched closer by the Fiscal Officer and Council to prevent the General Fund from going into the negative.

Management's Response – The former fiscal officer did not appropriate sufficient funds to pay for expenses which caused a shortage in the general fund in the fourth quarter of 2009. We were aware that this was an issue, and we obtained assistance from a visiting clerk who advised us of the best possible way to handle the situation.

FINDING NUMBER 2009-002

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2009 and 2008, several receipts and expenditures were not posted to accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Purchase of a fire truck was recorded as Security of persons and property instead of Capital outlay
- Redemption of principal payments for a non-interest OWDA loan were recorded as General government disbursements instead of Redemption of principal
- Principal and interest payments for a loan were recorded as interest payments instead of Redemption of principal and interest
- State and local government highway distribution receipts were recorded in the General Fund instead of the Street and State Highway Funds
- State general revenue receipts were recorded in the Street and State Highway Funds instead of the General Fund
- State general revenue receipts were recorded as Property and other local taxes in the General Fund instead of Intergovernmental receipts

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2009-002 (Continued)

Material Weakness (Continued)

Posting Receipts and Expenditures (Continued)

Not posting revenues and expenditures accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all reclassifications and adjustments. Village management agrees with the adjustments, and all adjustments have been made to the Village's accounting system.

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We had three different fiscal officers during the audit period in question. The current fiscal officer started in September 2009 with little knowledge of the job. We will work to get this right in the future.

FINDING NUMBER 2009-003

Material Weakness

Internal Controls

The Village did not have an adequate system of internal controls. Examples include:

- Several checks were written manually
- Checks were signed by only one signatory
- Multiple checks were voided and reissued
- A check outstanding since 2005 carried on the outstanding checks list
- Bank reconciliations not performed for four months in 2009
- One check written manually and not subsequently input into UAN
- Multiple voided checks maintained in the Village records and not marked void on their faces
- The Village's bank reconciliations not reconciled by an immaterial amount
- The Village's bank statements not dated as of the last day of the month
- Four bank statements initially missing from the Village's records; however, the Village was able to request them from the bank and provide them to us

We recommend that the Village address each of the above noted control weaknesses. This will help Council effectively monitor the Village's financial position and will aid in the timely detection of errors or irregularities. In addition, Council should monitor the Village's legal compliance, financial condition, and controls over the safeguarding of assets. They should review the Village books, review the bank reconciliations and perform other such duties as are deemed to be necessary.

Management's Response – Most of these issues occurred with the former fiscal officer but we will address each of the problems to improve the situation. We have obtained advice and assistance and are already working to correct these problems.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2009-004

Significant Deficiency

Advances

In order to advance cash from one fund to another, Auditor of State Bulletin 97-003 suggests there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established. In addition, advances must be approved by a formal resolution of the taxing authority of the subdivision which must include: (1) a specific statement that the transaction is an advance of cash, and, (2) an indication of the money (fund) from which it is expected that repayment will be made.

To alleviate short-term cash flow problems, the Village advanced cash between the Street Construction Fund and General Fund. Monies from a Special Revenue source cannot be used to help defray General Fund operating expenses. Nor did the Village indicate any plans of prepayment. The noted advance was returned through an audit adjustment and is reflected in the accompanying financial statements.

We recommend that the Village follow the guidance outlined in Auditor of State Bulletin 97-003 to initiate an advance. The Council should approve all advances. In addition, if the Village’s intent is to not repay the advance, the taxing authority should by Resolution turn the unpaid advance into a transfer if determined said transfer would be in compliance with Ohio Revised Code.

Management’s Response – This was done to pay bills due to the shortage in the general fund in the fourth quarter of 2009. We will work to not be in this situation in the future.

FINDING NUMBER 2009-005

Significant Deficiency

Payroll Monitoring Controls

Management does not have effective controls or processes in the payroll area. The following instances were noted:

- Management did not approve pay rates in the minutes or in Village ordinances
- One employee does not sign his own time sheets
- Time sheets are not initialed or signed by anyone indicating approval or review
- Documentation was not maintained for one employee’s hours worked during one time period
- Payroll withholding, both tax and OPERS, were not remitted timely for 2009 and 2008. Late filing caused the Village to pay penalties and interest
- The Village could not provide signed W-2s or proof that they were filed in 2008
- The Village essentially pays the employee’s Medicare for the Mayor, Fiscal Officer, street employee, and several Council members by adding it to their net pay before subtracting it from their gross pay. The Village could not provide a resolution or ordinance authorizing this practice.

VILLAGE OF CROWN CITY
GALLIA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-005 (Continued)

Significant Deficiency (Continued)

Payroll Monitoring Controls (Continued)

Without proper documentation of pay rates and pay increases, employees could be underpaid or overpaid, and the Council lacks effective monitoring over the payroll process. We recommend the Village establish sufficient monitoring controls to prevent or detect irregularities in the payroll process.

Management's Response – This will be done correctly in the future. The late payments were incurred prior to the current fiscal officer starting in September 2009.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2009 AND 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|--|
| 2007-001 | Ohio Revised Code Section 5705.39 - Budgetary compliance | No | Repeated as management letter comment |
| 2007-002 | Ohio Revised Code Section 5705.41(D)(1) - properly encumbering | No | Repeated as management letter comment |
| 2007-003 | Posting estimated revenues and appropriations | Yes | |
| 2007-004 | Proper posting of disbursements | No | Repeated as finding 2009-001 |

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Mary Taylor, CPA
Auditor of State

VILLAGE OF CROWN CITY

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
NOVEMBER 30, 2010