

VILLAGE OF WARSAW

AUDIT REPORT

JANUARY 1, 1999 - DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

Honorable Mayor and Members of Council
Village of Warsaw

We have reviewed the Independent Auditor's Report of the Village of Warsaw, Coshocton County, prepared by Wolfe, Wilson, & Phillips, Inc. for the audit period January 1, 1999 through December 31, 2000. Based upon this review, we have accepted this report 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.

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 Warsaw is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 27, 2001

This Page is Intentionally Left Blank.

**VILLAGE OF WARSAW
COSHOCTON COUNTY, OHIO
JANUARY 1, 1999 - DECEMBER 31, 2000**

TABLE OF CONTENTS

Table of Contents	(i)
Elected Officials	(ii)
Independent Auditors' Report	1
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds For the Year Ended December 31, 2000	2
Combined Statement of Revenues, Expenses, and changes in Fund Balances All Proprietary Fund Types and similar Fiduciary Funds For the Year Ended December 31, 2000	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds For the Year Ended December 31, 1999	4
Combined Statement of revenues, Expenses, and changes in Fund Balances All Proprietary Fund Types and similar Fiduciary Funds For the Year Ended December 31, 1999	5
Notes to the Financial Statements	6-12
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	13-14
Schedule of Findings	15-17
Status of Prior Audit Findings	18

**VILLAGE OF WARSAW
COSHOCOTON, COUNTY**

**322 MILL STREET
WARSAW, OH 43844**

**ELECTED OFFICIALS
AS OF DECEMBER 31, 2000**

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
Gary Fisher	Mayor	1/1/00 - 12/31/03	(A)	\$16,000	1/1/00 - 1/1/04
Edwin Kent	President of Council	1/1/98 - 12/31/01			
Jerry Funk	Councilman	1/1/98 - 12/31/01			
Brenda Davis	Councilman	5/1/99 - 12/31/01			
Ron Davis	Councilman	1/1/00 - 12/31/03			
Ethel Hawkins	Councilman	1/1/00 - 12/31/03			
Michael Baker	Councilman	1/1/98 - 12/31/01			
Deborah Foster	Clerk	1/1/00 - 12/31/03	(A)	\$25,000	5/1/00 – 4/30/04

Statutory Legal Counsel

William C. Donahue
Maguire & Schneider, L.L.P. Attorneys At Law
250 Civic Center Drive, Suite 200
Columbus, Ohio 43215

(A) Ohio Government Risk Management Plan

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Mayor and Village Council
Village of Warsaw
P.O. BOX 399
Warsaw, Ohio 43844

We have audited the accompanying financial statements of the Village of Warsaw, Coshocton County, as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village of Warsaw'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 described in Note 1, the Village of Warsaw prepares its financial statements on the cash basis, which is a comprehensive basis of accounting prescribed or permitted by the Auditor of State, 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 of Warsaw, Coshocton county, as of December 31, 2000 and 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 a report dated May 21, 2001, on our consideration of the Village of Warsaw's internal control structure 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 the officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 21, 2001

**VILLAGE OF WARSAW
COSHOCOTON 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**

	General Fund	Special Revenue Funds	Debt Service Fund	Totals (Memo Only)
Cash receipts				
Local taxes	\$ 77,766	\$ 15,784	\$ -	\$ 93,550
Intergovernmental revenues	-	16,103	-	16,103
Charges for services	7,500	-	-	7,500
Fines, licenses, and permits	738	66,260	-	66,998
Miscellaneous	7,848	36,461	-	44,309
Total Cash Receipts	93,852	134,608	-	228,460
Cash disbursements:				
Current:				
Security of person & property	18,790	-	-	18,790
Public health services	-	17,216	-	17,216
Leisure time activities	-	59,935	-	59,935
Basic utility service	1,243	-	-	1,243
Transportation	-	29,252	-	29,252
General government	76,536	-	-	76,536
Capital Outlay	3,614	-	-	3,614
Debt Service	2,571	12,891	-	15,462
Total Cash Disbursements	102,754	119,294	-	222,048
Total receipts over (under) cash disbursements	(8,902)	15,314	-	6,412
Other financing receipts (disbursements)				
Operating transfers in	-	-	-	-
Debt Proceeds	-	-	-	-
Total other financing receipts (disbursements)	-	-	-	-
Total cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(8,902)	15,314	-	6,412
Fund cash balance, January 1, 2000	63,182	55,020	-	118,202
Fund cash balances, December 31, 2000	\$ 54,280	\$ 70,334	\$ -	\$ 124,614

See notes to financial statements.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Enterprise Fund</u>	<u>Non-expendable Trust Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 155,330	\$ -	\$ 155,330
Miscellaneous	<u>4,630</u>	<u>6,797</u>	<u>11,427</u>
Total Operating Revenues	<u>159,960</u>	<u>6,797</u>	<u>166,757</u>
Operating Expenses			
Personal services	46,600	-	46,600
Contractual services	29,806	-	29,806
Supplies and materials	41,237	-	41,237
Capital Outlay	<u>1,561</u>	<u>-</u>	<u>1,561</u>
Total Operating Expenses	<u>119,204</u>	<u>-</u>	<u>119,204</u>
Operating income (loss)	40,756	6,797	47,553
Non-operating revenues:			
Miscellaneous	-	-	-
Other non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues	-	-	-
Non-operating expenses:			
Debt service	18,255	-	18,255
Other non-operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating expenses	<u>18,255</u>	<u>-</u>	<u>18,255</u>
Excess of revenues over/(under) expenses Before interfund transfers and advances	22,501	6,797	29,298
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net Revenues over/(under) expenses	22,501	6,797	29,298
Fund cash balances, January 1, 2000	<u>124,602</u>	<u>60,041</u>	<u>184,643</u>
Fund cash balances, December 31, 2000	<u>\$ 147,103</u>	<u>\$ 66,838</u>	<u>\$ 213,941</u>

See notes to financial statements.

**VILLAGE OF WARSAW
COSHOCOTON 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**

	General Fund	Special Revenue Funds	Debt Service Fund	Totals (Memo Only)
Cash receipts				
Local taxes	\$ 86,944	\$ 12,228	\$ -	\$ 99,172
Intergovernmental revenues	-	18,015	-	18,015
Charges for services	5,385	55,396	-	60,781
Fines, licenses, and permits	377	15,329	-	15,706
Contributions	-	-	-	-
Miscellaneous	1,994	16,467	2,989	21,450
Total Cash Receipts	94,700	117,435	2,989	215,124
Cash disbursements:				
Current:				
Security of person & property	11,519	-	-	11,519
Public health services	-	22,225	-	22,225
Leisure time activities	5,778	68,504	-	74,282
Basic utility service	7,039	-	-	7,039
Transportation	-	31,718	-	31,718
General government	61,555	-	-	61,555
Capital Outlay	-	-	-	-
Debt Service	1,833	12,891	-	14,724
Total Cash Disbursements	87,724	135,338	-	223,062
Total receipts over (under) cash disbursements	6,976	(17,903)	2,989	(7,938)
Other financing receipts (disbursements)				
Debt Proceeds	27,500	-	-	27,500
Operating transfers in	-	5,000	-	5,000
Operating transfers out	(5,000)	-	(91,412)	(96,412)
Total other financing receipts (disbursements)	22,500	5,000	(91,412)	(63,912)
Total cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	29,476	(12,903)	(88,423)	(71,850)
Fund cash balance, January 1, 1999	33,706	67,923	88,423	190,052
Fund cash balances, December 31, 1999	\$ 63,182	\$ 55,020	\$ -	\$ 118,202

See notes to financial statements.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Enterprise Fund</u>	<u>Non-expendable Trust Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 143,615	\$ -	\$ 143,615
Miscellaneous	<u>5,345</u>	<u>1,618</u>	<u>6,963</u>
Total Operating Revenues	<u>148,960</u>	<u>1,618</u>	<u>150,578</u>
Operating Expenses			
Personal services	50,800	-	50,800
Contractual services	56,313	-	56,313
Supplies and materials	25,924	-	25,924
Capital Outlay	<u>6,955</u>	<u>-</u>	<u>6,955</u>
Total Operating Expenses	<u>139,992</u>	<u>-</u>	<u>139,992</u>
Operating income (loss)	8,968	1,618	10,586
Non-operating revenues:			
Miscellaneous	-	-	-
Debt Proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Non-operating expenses:			
Debt service	61,916	-	61,916
Other non-operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating expenses	<u>61,916</u>	<u>-</u>	<u>61,916</u>
Excess of revenues over/(under) expenses Before interfund transfers and advances	(52,948)	1,618	(51,330)
Transfers in	130,915	-	130,915
Transfers out	<u>(39,503)</u>	<u>-</u>	<u>(39,503)</u>
Net Revenues over/(under) expenses	38,464	1,618	40,082
Fund cash balances, January 1, 1999	<u>86,138</u>	<u>58,423</u>	<u>144,561</u>
Fund cash balances, December 31, 1999	<u>\$ 124,602</u>	<u>\$ 60,041</u>	<u>\$ 184,643</u>

See notes to financial statements.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Warsaw is a body politic and corporate 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 Mayor and Council. The Village provides general governmental services, including water and sewer utilities, park operations (Leisure time activities), and police services.

The Villages 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 cash 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 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.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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:

Street Construction, Maintenance and Repair Fund, State Highway Fund, and Street Resurfacing Fund - These funds receive tax money for constructing, maintaining and repairing Village streets.

Cemetery Fund - This fund receives interest for maintaining its cemeteries.

VILLAGE OF WARSAW
COSHOCOTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

D. **Fund Accounting (Continued)**

Special Revenue Funds (Continued)

Parks and Recreation fund - This fund receives money from pool admissions and passes, and rental of the park facilities. The Village park and pool is operated and maintained using this money.

Debt Service Funds

The debt service fund is used to account for the accumulation of resources for, and the payment of, bonds and note indebtedness.

Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

Water Fund - Receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - Receives charges for services from residents to cover the cost of providing this utility.

Utility Improvement Fund - Received loan proceeds from the Ohio Water Development Authority to fund a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary funds: Cemetery Endowment Fund and Valley View Cemetery Fund.

E. **Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village of Warsaw must annually approve appropriation measures and subsequent amendments. The County Budget

VILLAGE OF WARSAW
COSHOCKTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

E. Budgetary Process (Continued)

Appropriations (Continued)

Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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.

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 reappropriated. The Village of Warsaw does not use the encumbrance method and a material citation has been issued.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets in the accompanying financial statements.

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investment 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:

Deposits:

Deposits are collateralized by securities pledged by the financial institution to the Village and by the Federal Depository Insurance Corporation.

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 133,640	\$ 92,930
Certificate of deposits	<u>204,915</u>	<u>209,915</u>
	<u>\$ 338,555</u>	<u>\$ 302,845</u>

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2000 and 1999, was as follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$73,000	\$93,852	\$20,852
Special Revenue	133,157	134,608	1,451
Debt Service	-	-	-
Enterprise	139,000	159,960	20,960
Fiduciary	-	6,797	6,797
Total	<u>\$ 345,157</u>	<u>\$ 395,217</u>	<u>\$ 50,060</u>

2000 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriations Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$76,375	\$102,754	\$(26,379)
Special Revenue	133,100	119,294	13,806
Debt Service	-	-	-
Enterprise	139,000	137,459	1,541
Fiduciary	-	-	-
Total	<u>\$ 348,475</u>	<u>\$ 359,507</u>	<u>\$ (11,032)</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$73,000	\$122,200	\$49,200
Special Revenue	132,961	122,435	(10,526)
Debt Service	3,200	2,989	(211)
Enterprise	141,900	279,875	137,975
Fiduciary	3,200	1,618	(1,582)
Total	<u>\$ 354,261</u>	<u>\$ 529,117</u>	<u>\$ 174,856</u>

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

3. Budgetary Activity (Continued)

1999 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$73,441	\$92,724	\$(19,283)
Special Revenue	133,245	135,338	(2,093)
Debt Service	-	91,412	(91,412)
Enterprise	139,817	241,411	(101,594)
Fiduciary	-	-	-
Total	<u>\$ 346,503</u>	<u>\$ 560,885</u>	<u>\$ (214,382)</u>

Section 5705.41 (B), Ohio Revised code states that expenditures may not exceed appropriations. In 2000, expenditures exceeded appropriations in the following funds: General, Cemetery, Resurfacing and Water funds. In 1999, expenditures exceeded appropriations in the following funds: General, Street, Cemetery, Debt Service, Water, Sewer, and Sewer Reserve fund.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village of Warsaw. 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. Debt

Debt outstanding at December 31, 2000 was as follows:

A Sanitary Sewer loan Bank One - original loan of \$403,200, due May 1, 2019. Interest rate of 5%, with a minimum payment, including interest, of \$1,073.11.	\$133,743
---	-----------

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. Debt (Continued)

A Post Office Loan with Bank One- original loan of \$27,500, due July 2012. Interest rate of 4.75%, with a monthly minimum payment of \$229.17	\$24,604
A Community Facility loan with Bank One – original loan of \$15,406.72, due August 12, 2003. Interest rate of 4.9%, with an monthly minimum payment of \$282.38	\$ 8,934
A Cemetery loan with Bank One- original loan of \$75,000, due September 21, 2008. Interest rate of 4.9%, with a monthly minimum payment of \$791.83	\$61,290
A Water loan with Bank One – original loan of \$50,000, due June 17, 2007. Interest rate Of 4.85%, with a monthly minimum Payment of \$480.43	<u>\$17,926</u>
Total Debt	<u>\$ 246,497</u>

A summary of the Villages future debt funding requirements, including principal and interest are as follows:

Year	Amounts
2001	34,282
2002	34,282
2003	33,680
2004	27,257
2005	25,129
Thereafter	168,400
	323,030
Interest	(76,533)
	\$ 246,497

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

6. Retirement Systems

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants gross salaries. The Village has paid all contributions required through December 31, 2000.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

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

8. Negative Fund Balance

As of December 31, 2000, the Village had a negative fund balance in the Parks/ Recreation fund of \$248.24.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Mayor and Village Council
Village of Warsaw
P.O. BOX 399
Warsaw, Ohio 43844

We have audited the financial statements of The Village of Warsaw as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 21, 2001. 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 of Warsaw's combined 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 test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings as items 98-1, 98-4, 98-5, and 98-6. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Warsaw in a separate letter dated May 21, 2001.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered the Village of Warsaw's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined 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 judgement, could adversely affect the Village of Warsaw's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Report of Independent Accountant
Page two

Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-IC1 through 98-IC2. 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 over financial reporting that might be a material weakness. However, of the reportable conditions described above, we consider 98-IC1 and 98-IC2 to be material weaknesses, we also noted other matters involving the internal control over financial reporting, which we have reported to management of the Village of Warsaw in a separate letter dated May 21, 2001.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 21, 2001

SCHEDULE OF FINDINGS

VILLAGE OF WARSAW COSHOCOTON COUNTY DECEMBER 31, 2000

1. AUDITOR'S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	YES
<i>(d)(1)(III)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	YES
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	YES

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

98-1. Section 5705.41 (B), Revised Code, provides that:

No subdivisions or taxing unit shall make any expenditure of money unless it has been appropriated as provided in Chapter 5705, Revised Code.

Expenditures exceeded appropriation authority in 1999 in the General fund, Street fund, Cemetery fund, Water fund, Sewer fund, Debt Service fund, and Sewer Reserve fund and in 2000 in the General fund, Cemetery fund, Resurfacing fund, and Water fund.

VILLAGE OF WARSAW
SCHEDULE OF FINDINGS (Continued)

98-4. Section 5705.41 (D), Revised Code, provides in part, that no subdivision

. . [M]ake any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision s fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due there.

The Village did not utilize the encumbrances method of accounting.

98-5. Section 5705.40, Revised Code, provides that:

Any appropriation ordinance or measure may be amended or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

The Village should have, but did not, pass the adequate amended or supplemental appropriation measure.

98-6. Ohio Administrative Code, 117-5-11 (A), states in part that each Village shall maintain an appropriation ledger which shall contain a separate sheet for each account established. The account is created by the coding prescribed pursuant to paragraph 8 of Rule 117-5-01 of the Administrative Code.

The Village did not have an appropriation ledger which contained a separate sheet for each account established for 2000 and 1999.

98-IC1. The Village did not maintain adequate appropriations ledgers to ensure that appropriations do not exceed estimated resources and the expenditures do not exceed the appropriations authority. This could result in the appropriation and disbursement of funds which are not actually available for such purposes. We recommend that a complete and accurate schedule be maintained that details beginnings expenditure authority, certified estimated resources, legal beginning appropriations, and proper amendments of each.

VILLAGE OF WARSAW
SCHEDULE OF FINDINGS (continued)

- 98-IC2. We noted numerous control weaknesses during our testing of the Village's expenditure system, including, purchase order requests and purchase orders are not properly used, warrants not supported by any invoices, paid invoices not stamped as paid, expenditures not encumbered in the appropriation ledgers, the failure to use receiving reports or any other means for documenting proper receipts of goods on services, disbursements not recorded in the Village's detail of disbursements, disbursements are made for amounts that do not equal the invoice, and wages and fringe benefits are not always recorded in the detail of disbursements.

These weaknesses in the Village's expenditure system could result in errors and/or irregularities in the form of unauthorized expenditures or expenditures of goods or services which are not received. Also, duplicate or unnecessary expenditures could be made or the Village could incur liabilities for which funds are not available.

We recommend that the Village expenditures are originated only by an approved purchase order request. Purchase orders should be prepared from the requests and approved by the clerk. The availability of funds should be evaluated at this time and an encumbrance recorded. Invoices should be received directly by the clerk, checked for clerical accuracy, and matched with applicable purchase orders. Receiving reports should be completed by personnel receiving goods and services and submitted to the clerk. Once the clerk has assembled a complete voucher package (purchase order request, purchase order, invoice and receiving report) a check should be prepared for payment. Once payment is made the voucher package should be marked as "paid" to eliminate the possibility of double payment.

SCHEDULE OF PRIOR AUDIT FINDINGS

**FINANCIAL CONDITION
VILLAGE OF WARSAW
COSHOCOTON COUNTY
DECEMBER 31, 2000**

- 1.) FINDING: NUMBER:
98-1, 98-4, 98-5, 98-6, 98IC-1 AND 98IC2
- 2.) FINDING SUMMARY:
All of the above findings are still applicable and listed on the Schedule of Findings.
- 3.) FULLY CORRECTED:
NO, finds still applicable.
- 4.) ACTION TAKEN:
Village is in the process of going on the UAN system in 2001
- 5.) FINDING NUMBER:
98-7
- 6.) FINDING SUMMARY:
All balances in the cash journal must be reconciled with the depositing balances.
- 7.) FULLY CORRECTED:
Yes, depositing balances are reconciled monthly.
- 8.) ACTION TAKEN:
None needed, reconciliations are completed.
- 9.) FINDING NUMBER:
98-2 and 98-3
- 10.) FINDING SUMMARY:
98-2, Appropriations exceeding estimated resources
98-3, receiving an amended certificate
- 11.) FULLY CORRECTED:
Yes
- 12.) ACTION TAKEN:
None needed for 98-2 and 98-3



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF WARSAW

COSHOCTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 12, 2001**