

VILLAGE OF OLD WASHINGTON
ANNUAL REPORT
YEARS ENDED DECEMBER 31, 2003 AND 2002



**Auditor of State
Betty Montgomery**

Village Council
Village of Old Washington
P.O. Box 268
Old Washington, Ohio 43768

We have reviewed the *Independent Auditor's Report* of the Village of Old Washington, Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2002 through December 31, 2003. 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.

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 Old Washington is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 13, 2005

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**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

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

INDEPENDENT AUDITORS' REPORT

Village of Old Washington
P.O. Box 268
Old Washington, Ohio 43768

We have audited the accompanying financial statements of the Village of Old Washington, Guernsey County, Ohio as of and for the year ended December 31, 2003 and 2002. 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, if any, 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.

The Village did not make adjustments to its accounting system for posting errors from the prior audit, which would have increased the General Fund January 1, 2000 cash balance by \$11,427, decreased the Special Revenue Fund types January 1, 2000 cash balance by \$5,425. The Village had posting errors during 2000, that resulted in the General Fund receipts being understated by \$743. Also during 2000, the Village transferred \$19,273 from the General Fund to the Street Construction, maintenance and Repair Fund, a Special Revenue Fund type, in the amount of \$7,800, the Cemetery Fund, a Special Revenue Fund type, in the amount of \$4,000 and to the Parks and Recreation Fund, a Special Revenue Fund Type, in the amount of \$7,473 without obtaining legislative approval. Had these posting errors and improper transfers been properly posted to the Village's accounting system, the 2000 General Fund receipts would have been increased by \$20,016 and the December 31, 2000 cash balance of the General Fund would have increased by a cumulative \$31,443. The Special Revenue Fund type receipts would have been decreased by \$19,273 and the December 31, 2000 cash balance of the Special Revenue Fund would have been decreased by a cumulative \$24,698. The Village had posting errors during 2001 that resulted in the General Fund receipts being understated by \$410. Had these amounts been properly posted to the Village's accounting system, the General Fund receipts would have increased by \$410 and the December 31, 2001 General Fund cash balance would have increased by a cumulative \$31,853. The cumulative effect of the unposted adjustments on the Special Revenue Fund type cash balances at December 31, 2001 is an overstatement of \$24,698. Therefore, the beginning fund balances as of January 1, 2002 are not properly stated based on the adjustments discussed above.

In our opinion, because of the effects of the matters referred to in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Old Washington, Perry County as of December 31, 2003 and 2002, nor its combined cash receipts and disbursements 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 March 22, 2005, on our consideration of the Village of Old Washington's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Independent Auditors' Report
Page 2

This report is intended solely for the information and use of management, Village Council, and other 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
March 22, 2005

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 14,664	\$ -	\$ -	\$ 14,664
Intergovernmental Receipts	15,220	6,880	2,924	25,024
Charges for Services	-	2,975	-	2,975
Earnings on Investments	5	90	-	95
Miscellaneous	493	1,642	-	2,135
Total Cash Receipts	<u>30,382</u>	<u>11,587</u>	<u>2,924</u>	<u>44,893</u>
Cash Disbursements				
Current:				
Security of Persons and Property	825	-	-	825
Public Health Services	83	8,876	-	8,959
Leisure Time Activities	-	1,152	-	1,152
Basic Utility Service	3,110	-	-	3,110
Transportation	9,492	19,127	1,625	30,244
General Government	13,010	-	-	13,010
Total Cash Disbursements	<u>26,520</u>	<u>29,155</u>	<u>1,625</u>	<u>57,300</u>
Total Cash Receipts Over (Under) Cash Disbursements	3,862	(17,568)	1,299	(12,407)
Other Financing Receipts (Disbursements)				
Transfer - In	-	9,296	-	9,296
Transfer - Out	(9,192)	-	-	(9,192)
Sale of Assets	-	-	-	-
Total Other Financing Receipts (Disbursements)	<u>(9,192)</u>	<u>9,296</u>	<u>-</u>	<u>104</u>
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(5,330)	(8,272)	1,299	(12,303)
Fund Cash Balance - January 1, 2003	<u>6,686</u>	<u>9,916</u>	<u>220</u>	<u>16,822</u>
Fund Cash Balance - December 31, 2003	<u>\$ 1,356</u>	<u>\$ 1,644</u>	<u>\$ 1,519</u>	<u>\$ 4,519</u>

See notes to financial statements.

VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Fiduciary Fund Type
Operating Receipts	
Miscellaneous	\$ 104
Total Operating Receipts	<u>104</u>
Transfer-Out	(104)
Net Receipts Over/(Under) Disbursements	-
Fund Cash Balance - January 1, 2003	<u>26,569</u>
Fund Cash Balance - December 31, 2003	<u><u>\$ 26,569</u></u>

See notes to financial statements.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 14,648	\$ -	\$ -	\$ 14,648
Intergovernmental Receipts	11,428	6,649	1,820	19,897
Charges for Services	-	7,125	-	7,125
Earnings on Investments	18	251	-	269
Miscellaneous	2,690	509	-	3,199
Total Cash Receipts	<u>28,784</u>	<u>14,534</u>	<u>1,820</u>	<u>45,138</u>
Cash Disbursements				
Current:				
Security of Persons and Property	850	-	-	850
Public Health Services	43	9,500	-	9,543
Leisure Time Activities	-	1,194	-	1,194
Basic Utility Service	3,108	-	-	3,108
Transportation	10,192	11,066	2,620	23,878
General Government	13,474	-	-	13,474
Total Cash Disbursements	<u>27,667</u>	<u>21,760</u>	<u>2,620</u>	<u>52,047</u>
Total Cash Receipts Over (Under) Cash Disbursements	1,117	(7,226)	(800)	(6,909)
Other Financing Receipts (Disbursements)				
Transfer - In	-	11,300	-	11,300
Transfer - Out	(11,300)	-	-	(11,300)
Sale of Assets	-	-	-	-
Total Other Financing Receipts (Disbursements)	<u>(11,300)</u>	<u>11,300</u>	<u>-</u>	<u>-</u>
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(10,183)	4,074	(800)	(6,909)
Fund Cash Balance - January 1, 2002	<u>16,869</u>	<u>5,842</u>	<u>1,020</u>	<u>23,731</u>
Fund Cash Balance - December 31, 2002	<u>\$ 6,686</u>	<u>\$ 9,916</u>	<u>\$ 220</u>	<u>\$ 16,822</u>

See notes to financial statements.

VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Fiduciary Fund Type
Operating Receipts	
Miscellaneous	\$ 209
Total Operating Receipts	<u>209</u>
Net Receipts Over/(Under) Disbursements	209
Fund Cash Balance - January 1, 2002	<u>26,360</u>
Fund Cash Balance - December 31, 2002	<u><u>\$ 26,569</u></u>

See notes to financial statements.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Old Washington, Guernsey 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, including road maintenance, street lighting, park operations (leisure time activities), and fire protection. The Village contracts with the Guernsey County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

The Village'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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 to be accounted for in another fund.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Special Revenue Fund

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

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

Cemetery Fund – This fund receives money from the selling of cemetery lots and the opening and closing of graves for general maintenance and operation of the cemetery.

Parks and Recreation Fund - This fund receives donations for the general maintenance and operation of the Village park.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Fund – This fund receives Issue II grant monies. The monies are being used for street improvements.

Fiduciary Fund (Trust Fund)

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. The Village had the following significant Fiduciary Fund:

Cemetery Endowment Fund – This fund was created to invest principal and create interest revenue for the cemetery operating 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 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.

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.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and 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:

	2003	2002
Demand Deposits	\$ (789)	\$ 3,919
Total Deposits	(789)	3,919
STAR Ohio	31,877	39,472
Total Investments	31,877	39,472
Total Deposits and Investments	\$ 31,088	\$ 43,391

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

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

The carrying amount of deposits and investments at December 31, 2003 and 2002 do not reconcile to the bank amount, due to the finding for adjustment amounts in the opinion letter.

3. RESTATEMENT OF FUND BALANCES

Certain adjustments have resulted in fund balance restatements as of January 1, 2000. The beginning fund balance in the General Fund has been decreased by \$11,427 to a restated amount of \$29,189, the Street Construction, Maintenance and Repair Fund, a Special Revenue Fund type increased by \$5,870 to a restated amount of \$3,185, the State Highway Fund, a Special Revenue Fund type, increased by \$355 to a restated amount of \$202, The Cemetery Fund, a Special Revenue Fund Type, decreased by \$800 to a restated amount of \$0, resulting in the Special Revenue Fund type increasing by \$5,425 to \$22,661. These restatements are due to the Clerk declining to make adjustments from the prior audit period.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 30,008	\$ 30,382	\$ 374
Special Revenue	15,629	20,883	5,254
Capital Projects	2,924	2,924	-
Fiduciary	-	104	104
Total	<u>\$ 48,561</u>	<u>\$ 54,293</u>	<u>\$ 5,732</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 35,712	\$ (35,712)
Special Revenue	-	29,155	(29,155)
Capital Projects	-	1,625	(1,625)
Total	<u>\$ -</u>	<u>\$ 66,492</u>	<u>\$ (66,492)</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 28,784	\$ 28,784
Special Revenue	-	25,834	25,834
Capital Projects	-	1,820	1,820
Fiduciary	-	209	209
Total	<u>\$ -</u>	<u>\$ 56,647</u>	<u>\$ 56,647</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 38,967	\$ (38,967)
Special Revenue	-	21,760	(21,760)
Capital Projects	-	2,620	(2,620)
Total	<u>\$ -</u>	<u>\$ 63,347</u>	<u>\$ (63,347)</u>

Compliance and Accountability:

Contrary to Ohio Revised Code, The Village transferred money from the General Fund without legislative approval.

Contrary to Ohio Revised Code, the Village did not pass a temporary or permanent appropriation measure for 2003 or 2002. Consequently, during 2003 and 2002, all expenditures made by the Village exceeded appropriations, contrary to Ohio Revised Code Section 5705.41(B).

Contrary to Ohio Revised Code, the Village did not pass a Resolution Accepting Tax Rates or certify levies to the County Auditor by October 1, for 2003 or 2002.

All of the Village's 2003 and 2002 expenditures did not contain the Clerk's prior certification of the availability of funds contrary to Ohio Revised Code Section 5705.41(D).

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY TAX

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

6. RETIREMENT SYSTEMS

The Village's employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plans provide retirement benefits, including postretirement 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 2003 and 2002, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants gross salaries for the periods January 1, 2003 through December 31, 2003 and January 1, 2002 through December 31, 2002. The Village has paid all contributions required through December 31, 2003.

The Village withheld Social Security, Medicare and federal withholding taxes from employee pay checks but never remitted these taxes to the Internal Revenue Service. The amounts not remitted are Social Security taxes in the amount of \$302, Medicare (employee and employer portion) in the amount of \$209 and federal withholding taxes in the amount of \$720.

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan, (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

8. LEASE

In 2003 the Village entered into a lease with Case Credit for a Backhoe. The annual lease amount is \$3,990 payable September for three years.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Old Washington
P.O. Box 268
Old Washington, Ohio 43768

We have audited the financial statements of the Village of Old Washington as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 22, 2005, wherein we opined that these financial statements were not fairly presented since prior audit adjustments were not made to the accounting system and also due to the effect of posting errors not corrected for 2001 and 2000. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Old Washington'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 an opinion on the internal control over financial reporting. 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 material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 of Old Washington's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as items 2003-07.

A material weakness is a reportable 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 item 2003-07 to be a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated March 22, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Village of Old Washington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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* and which are described in the accompanying Schedule of Findings as items 2003-01 through 2003-06. We also noted certain immaterial instances of noncompliance which we have reported to management of Village of Old Washington in a separate letter dated March 22, 2005.

Report on Internal Control and Compliance
Page 2

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 22, 2005

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-01

Noncompliance Citation

Ohio Revised Code Section 5705.41(D), states that no subdivision or taxing unit shall make 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 has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the Village Clerk. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

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

- B. If the amount involved is less than \$3,000 dollars (effective April 7, 2003, prior to that date, the dollar limit was \$1,000) the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not obtain prior certification for any expenditures made during 2003 or 2002. The lack of prior certification could lead to expenditures being made or committed to in which adequate funds have not been appropriated. These commitments were not subsequently resolved to be paid by the Village Council within the aforementioned 30 day time period.

We recommend the Village Clerk monitor the use of purchase orders more carefully to help ensure expenditures are certified as to the availability of funds prior to incurring the obligation.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-02

Noncompliance Citation

Ohio Revised Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official certificate.

There was no evidence presented for audit to indicate that either a temporary or annual appropriation measure was approved by the Village Council or submitted to the County Auditor for 2002. It appears that an annual appropriation measure was passed for 2003 and signed by the Clerk and Village Council. There was no mention of its passing in the minutes. The Village also had no certificate from the County Auditor stating that appropriations did not exceed estimated receipts, therefore making the appropriation measure noneffective as stated in Ohio Revised Code Section 5705.39.

We recommend the Village Council approve, and state in the minutes as evidence of approval, an appropriation measure on or about the first of the year. This appropriation measure should be submitted to the County Auditor by the same date.

FINDING NUMBER 2003-03

Noncompliance Citation

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

All expenditures made during 2002 were made without properly being appropriated. This amounted to \$63,347 being expended without any budgetary expenditure amount being passed to restrict expenditures. In 2003, the Village appears to have approved an appropriation measure, however, the Village did not receive a certificate from the County Auditor stating that appropriations did not exceed estimated receipts per Ohio Revised Code 5705.39, which therefore, makes the 2003 appropriation measure noneffective and making all 2003 expenditures in the amount of \$66,492 spent without being properly appropriated.

We recommend that the Village Council approve, and state in the minutes as evidence of approval, an appropriation measure on or about the first of the year. This appropriation measure should be submitted to the County Auditor by the same date. The Clerk should deny any payment that would causes expenditures to exceed appropriations.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-04

Noncompliance Citation

Ohio Revised Code Section 5705.34 states, in part, that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. each such authority is to certify the levies to the County Auditor before October 1st of each year, unless a later date is approved by the tax commissioner.

There was no indication in the minutes of the Village Council that these resolutions were adopted prior to the required date. Additionally, there was no evidence presented for audit that certification of tax rates for either year was submitted to the County Auditor.

We recommend the Village Council pass an ordinance or resolution to authorize the necessary tax levies and submit a certification to the County Auditor on or before October 1st of each year to the County Auditor.

FINDING NUMBER 2003-05

Noncompliance Citation

26 U.S.C. Section 3403 states, in part, that employers are liable for payment of the taxes deducted and withheld. The Village withheld federal withholding, Medicare and Social Security taxes from employees but did not remit the employee's or employer's share, if applicable, of these taxes to the Internal Revenue Service.

We recommend the Village remit the employee and, if applicable, employer share of federal withholding, Medicare and social security taxes quarterly on IRS Form 941. If the Village does not have a Employer Identification Number (EIN), they should submit Form SS-4 to the Internal Revenue Service to obtain a EIN number. For more information, the Village should consult Circular E, Employer's Tax Guide.

FINDING NUMBER 2003-06

Noncompliance citation

Ohio Revised Code Section 5705.14, 5705.15 and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any other fund of the subdivision by resolution of taxing authority or from one fund to another as is specifically authorized in Ohio Revised Code Section 5705.14. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e. two thirds vote is not required for general fund transfers though a resolution is required).

We recommend that all transfers be properly approved as required by Ohio Revised Code Section 5705.14, 5705.15 and 5705.16 and recorded in the minutes.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-07

Reportable Condition

The Village should maintain adequate financial and budgetary records to provide ongoing and timely information. Our review of Village records indicated that the Clerk did maintain a cashbook, receipts ledger, and appropriation ledger as required. However, these accounting records were not maintained in such a way to provide up-to-date information throughout the year. Amounts posted to the monthly summary of cash receipts and cash disbursements did not agree with the revenue and expense summary. In addition, the cashbook was not reconciled to the bank account.

We recommend that the Clerk post all cash receipts and cash disbursements to the summary of receipts and disbursements. We also recommend the Clerk to reconcile the cashbook to the monthly bank reconciliations each month.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-31030-001	Finding repaid Under Audit	Yes	Finding No Longer Valid.
2001-31030-002	ORC 5705.41(D) Failure to Certify Funds	No	Not Corrected. Cited in current report as Finding 2003-01.
2001-31030-003	ORC 5705.38 Annual Appropriation Measure passed	No	Partially Corrected. Cited in current report as Finding 2003-02.
2001-31030-004	ORC 5705.41(B) No money to be expended unless appropriated	No	Partially Corrected. Cited in current report as Finding 2003-03.
2001-31030-005	ORC 5705.34 Authorize necessary tax rates	No	Not Corrected. Cited in current report as Finding 2003-04.
2001-31030-006	26U.S.C. Section 3403 failure to remit employee payroll withholdings	No	Not Corrected. Cited in current report as Finding 2003-05.
2001-31030-007	Reportable condition for maintenance of financial and budgetary records	No	Partially Corrected. Cited in current report as Finding 2003-06.



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**VILLAGE OF OLD WASHINGTON
GUERNSEY 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
JUNE 28, 2005**