



**Auditor of State
Betty Montgomery**

VILLAGE OF STRYKER
WILLIAMS COUNTY

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**Auditor of State
Betty Montgomery**

Village of Stryker
Williams County
200 N. Defiance Street
P.O. Box 404
Stryker, Ohio 43557-0404

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

October 17, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Stryker
Williams County
200 N. Defiance Street
P.O. Box 404
Stryker, Ohio 43557-0404

To the Village Council:

We have audited the accompanying financial statements of the Village of Stryker, Williams County, (the Village) as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Stryker, Williams County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 October 17, 2005, 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.



Betty Montgomery
Auditor of State

October 17, 2005

**VILLAGE OF STRYKER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$362,282 | | \$196,838 | \$559,120 |
| Special Assessments | | \$1,943 | | 1,943 |
| Intergovernmental Receipts | 121,598 | 118,468 | 197,209 | 437,275 |
| Charges for Services | 3,771 | | | 3,771 |
| Fines, Licenses, and Permits | 23,927 | 793 | | 24,720 |
| Earnings on Investments | 20,448 | 746 | | 21,194 |
| Miscellaneous | 2,197 | 17 | | 2,214 |
| | <u>534,223</u> | <u>121,967</u> | <u>394,047</u> | <u>1,050,237</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 200,723 | 3,147 | | 203,870 |
| Public Health Services | 16,415 | | | 16,415 |
| Leisure Time Activities | 2,000 | | | 2,000 |
| Basic Utility Services | 8,502 | | | 8,502 |
| Transportation | | 88,159 | | 88,159 |
| General Government | 215,882 | | 8,942 | 224,824 |
| Debt Service | | | 78,263 | 78,263 |
| Capital Outlay | 14,179 | 61,004 | 431,318 | 506,501 |
| | <u>457,701</u> | <u>152,310</u> | <u>518,523</u> | <u>1,128,534</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>76,522</u> | <u>(30,343)</u> | <u>(124,476)</u> | <u>(78,297)</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Transfers-In | | 23,000 | | 23,000 |
| Transfers-Out | (23,000) | | | (23,000) |
| | <u>(23,000)</u> | <u>23,000</u> | | |
| Total Other Financing Receipts and (Disbursements) | <u>(23,000)</u> | <u>23,000</u> | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 53,522 | (7,343) | (124,476) | (78,297) |
| Fund Cash Balances, January 1 | <u>530,729</u> | <u>60,953</u> | <u>757,054</u> | <u>1,348,736</u> |
| Fund Cash Balances, December 31 | <u>\$584,251</u> | <u>\$53,610</u> | <u>\$632,578</u> | <u>\$1,270,439</u> |

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

**VILLAGE OF STRYKER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Proprietary Fund Type |
|--|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$412,366 |
| Miscellaneous | 10,612 |
| | <u>422,978</u> |
| Operating Cash Disbursements: | |
| Personal Services | 129,335 |
| Travel Transportation | 360 |
| Contractual Services | 171,596 |
| Supplies and Materials | 16,758 |
| Capital Outlay | 8,997 |
| | <u>327,046</u> |
| Operating Income | <u>95,932</u> |
| Non-Operating Cash Receipts: | |
| Special Assessments | 52 |
| Intergovernmental Receipts | 7,662 |
| | <u>7,714</u> |
| Non-Operating Cash Disbursements: | |
| Debt Service | <u>139,262</u> |
| Net Cash Receipts Under Cash Disbursements | (35,616) |
| Fund Cash Balances, January 1 | <u>235,068</u> |
| Fund Cash Balances, December 31 | <u>\$199,452</u> |

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

**VILLAGE OF STRYKER
WILLIAMS 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**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$367,694 | | \$200,531 | \$568,225 |
| Special Assessments | | \$2,409 | | 2,409 |
| Intergovernmental Receipts | 97,316 | 80,651 | 459 | 178,426 |
| Charges for Services | 1,416 | | | 1,416 |
| Fines, Licenses, and Permits | 17,124 | 1,972 | | 19,096 |
| Earnings on Investments | 12,371 | 539 | | 12,910 |
| Miscellaneous | 1,597 | 2,096 | 2,000 | 5,693 |
| | <u>497,518</u> | <u>87,667</u> | <u>202,990</u> | <u>788,175</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 200,798 | 452 | | 201,250 |
| Public Health Services | 14,719 | | | 14,719 |
| Leisure Time Activities | 2,000 | | | 2,000 |
| Basic Utility Services | 10,931 | | | 10,931 |
| Transportation | 22 | 85,997 | | 86,019 |
| General Government | 187,955 | | 9,631 | 197,586 |
| Debt Service | | | 80,849 | 80,849 |
| Capital Outlay | 22,163 | 19,763 | 34,541 | 76,467 |
| | <u>438,588</u> | <u>106,212</u> | <u>125,021</u> | <u>669,821</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>58,930</u> | <u>(18,545)</u> | <u>77,969</u> | <u>118,354</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Transfers-In | | 23,200 | | 23,200 |
| Transfers-Out | (23,200) | | | (23,200) |
| | <u>(23,200)</u> | <u>23,200</u> | | |
| Total Other Financing Receipts and (Disbursements) | <u>(23,200)</u> | <u>23,200</u> | | |
| Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements | 35,730 | 4,655 | 77,969 | 118,354 |
| Fund Cash Balances, January 1 | <u>494,999</u> | <u>56,298</u> | <u>679,085</u> | <u>1,230,382</u> |
| Fund Cash Balances, December 31 | <u>\$530,729</u> | <u>\$60,953</u> | <u>\$757,054</u> | <u>\$1,348,736</u> |

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

**VILLAGE OF STRYKER
WILLIAMS COUNTY**

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

| | Proprietary Fund Types |
|---|-----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$415,141 |
| Miscellaneous | 6,462 |
| | 421,603 |
| Operating Cash Disbursements: | |
| Personal Services | 126,436 |
| Travel Transportation | 284 |
| Contractual Services | 156,713 |
| Supplies and Materials | 24,465 |
| Capital Outlay | 17,441 |
| | 325,339 |
| Operating Income | 96,264 |
| Non-Operating Cash Receipts: | |
| Intergovernmental Receipts | 19,432 |
| Non-Operating Cash Disbursements: | |
| Debt Service | 141,849 |
| Net Cash Disbursements Over Cash Receipts | (26,153) |
| Fund Cash Balances, January 1 | 261,221 |
| Fund Cash Balances, December 31 | \$235,068 |

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

**VILLAGE OF STRYKER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Stryker, Williams County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, street maintenance, and police services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Fund Accounting

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

1. General Fund

The General Fund 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

3. Capital Project Funds

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 funds:

**VILLAGE OF STRYKER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

Capital Projects Income Tax Fund - This fund receives the ½% Village income tax revenue. This revenue is used to make permanent improvements to Village land and property.

Issue II – Water Treatment Plant Fund - The Village received a grant from the State of Ohio to construct a new water treatment plant.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Refuse Fund - This fund receives charges for services from residents to cover refuse and recycling service costs.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF STRYKER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

E. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | | |
|-----------------|-------------|-------------|
| | 2004 | 2003 |
| Demand deposits | \$1,469,891 | \$1,583,804 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$497,000 | \$534,223 | \$37,223 |
| Special Revenue | 157,350 | 144,967 | (12,383) |
| Capital Projects | 399,209 | 394,047 | (5,162) |
| Enterprise | 439,000 | 430,692 | (8,308) |
| Total | \$1,492,559 | \$1,503,929 | \$11,370 |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$626,910 | \$480,701 | \$146,209 |
| Special Revenue | 217,571 | 152,310 | 65,261 |
| Capital Projects | 952,300 | 518,523 | 433,777 |
| Enterprise | 567,200 | 466,308 | 100,892 |
| Total | \$2,363,981 | \$1,617,842 | \$746,139 |

**VILLAGE OF STRYKER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2003 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-----------------|
| General | \$483,400 | \$497,518 | \$14,118 |
| Special Revenue | 100,000 | 110,867 | 10,867 |
| Capital Projects | 193,458 | 202,990 | 9,532 |
| Enterprise | 419,000 | 441,035 | 22,035 |
| Total | <u>\$1,195,858</u> | <u>\$1,252,410</u> | <u>\$56,552</u> |

2003 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|--------------------|
| General | \$978,398 | \$461,789 | \$516,609 |
| Special Revenue | 156,189 | 106,212 | 49,977 |
| Capital Projects | 872,541 | 125,020 | 747,521 |
| Enterprise | 680,219 | 467,188 | 213,031 |
| Total | <u>\$2,687,347</u> | <u>\$1,160,209</u> | <u>\$1,527,138</u> |

Contrary to Ohio law, the Village did not provide prior fiscal officer certification for certain expenditures.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 ½ percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF STRYKER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------------------------|------------------|----------------------|
| Ohio Water Development Authority Loan | \$1,803,114 | 7.56% |

The Ohio Water Development Authority (OWDA) loan relates to sewer line improvements and a sewer lagoon expansion project which was mandated by the Ohio Environmental Protection Agency. The OWDA approved up to \$2,529,305 in loans to the Village for this project. The Village will repay the loans in semiannual installments over 25 years.

Amortization of the above debt, including interest, follows:

| <u>Year ending December 31:</u> | <u>OWDA Loan</u> |
|---------------------------------|------------------|
| 2005 | \$218,003 |
| 2006 | 218,517 |
| 2007 | 219,070 |
| 2008 | 219,664 |
| 2009 | 220,304 |
| 2010 - 2014 | 1,112,941 |
| 2015 - 2017 | 565,111 |
| Total | \$2,773,610 |

7. RETIREMENT SYSTEMS

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). All other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

VILLAGE OF STRYKER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 of casualty losses and the lesser of 5 percent or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

| | <u>2004</u> | <u>2003</u> |
|-----------------|--------------------|--------------------|
| Assets | \$6,685,522 | \$5,402,167 |
| Liabilities | <u>2,227,808</u> | <u>1,871,123</u> |
| Members' Equity | <u>\$4,457,714</u> | <u>\$3,531,044</u> |

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



**Auditor of State
Betty Montgomery**

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

Village of Stryker
Williams County
200 N. Defiance Street
P.O. Box 404
Stryker, Ohio 43557-0404

To the Village Council:

We have audited the financial statements of the Village of Stryker, Williams County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 17, 2005 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider 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's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated October 17, 2005, we reported another matter involving internal control over financial reporting which we did not deem a reportable condition.

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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-002. In a separate letter to the Village's management dated October 17, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 17, 2005

VILLAGE OF STRYKER
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Reportable Condition - Estimated Revenue Posting

Estimated resources booked in the Village's ledgers should reflect amounts approved by the County budget commission and Village Council. The Fiscal Officer did not enter any estimated resources in the Village's ledgers during 2004 or 2003. As a result, legally adopted estimated revenue as approved by Village Council did not agree with estimated revenue amounts included in the Village's ledgers in any funds. This resulted in inaccurate budgetary reports which could make it difficult for management to make informed decisions regarding whether the Village's actual receipts are sufficient to support appropriated disbursements.

We recommend that the Fiscal Officer post estimated revenues to the Village's computerized ledgers based upon amounts approved by Village Council and the County Budget Commission on the Amended Official Certificate of Estimated Resources. As part of the monitoring process, the Fiscal Officer and Council should review the records to ensure that all budgeted amounts are properly reflected in the appropriate funds and the actual receipts are sufficient to cover appropriated disbursements.

We also noted this matter in the management letter of our audit of the 2002 and 2001 financial statements.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that he is completing the certification ("now"), that 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 for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2004-002
(Continued)**

Amounts of less than \$1,000 (\$3,000 after April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

- B. Blanket Certificate** – Fiscal officers may prepare “blanket certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority after September 26, 2003) against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.
- C. Super Blanket Certificate** – The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify 68 percent of expenditures tested prior to the purchase commitment and there was no evidence the Village followed the aforementioned exceptions for these transactions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the taxing authority's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which § 5704.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs the commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

VILLAGE OF STRYKER
WILLIAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2002-001 | ORC § 5705.41 (D) improper certification of funds | No | Not corrected. Reissued as Finding Number 2004-002. |



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VILLAGE OF STRYKER

WILLIAMS 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 10, 2005**