

**VILLAGE OF CONGRESS
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004



**Auditor of State
Betty Montgomery**

Village Council
Village of Congress
216 Mill Street
West Salem, Ohio 44287

We have reviewed the *Independent Accountants' Report* of the Village of Congress, Wayne County, prepared by Knox & Knox, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

BETTY MONTGOMERY
Auditor of State

December 18, 2006

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VILLAGE OF CONGRESS
WAYNE COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Congress
Wayne County
216 Mill Street
West Salem, Ohio 44287

We have audited the accompanying financial statements of the Village of Congress, Wayne County, Ohio, as of and for the years ended December 31, 2005 and 2004. 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 described more fully in Note 1, the Village has prepared its 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 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 years ended December 31, 2005 and 2004. While the Village does not follow GAAP, auditing standards generally accepted in the United States of America require 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 the Village does not use GAAP to measure the 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 paragraph, the financial statements referred to above for the years ended December 31, 2005 and 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, 2005 and 2004, or its changes in financial position 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 Congress, Wayne County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 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 September 29, 2006, on our consideration of the Village of Congress's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. 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 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.

Knox & Knox

Orrville Ohio
September 29, 2006

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$13,802	\$ 399		\$14,201
Intergovernmental Receipts	12,413	2,411		14,824
Earnings on Investments	30			30
Total Cash Receipts	26,245	2,810		29,055
Cash Disbursements:				
Current:				
Security of Persons and Property	2,548			2,548
Public Health Service	4,402			4,402
Transportation		2,700		2,700
General Government	15,263			15,263
Capital Outlay			590	590
Debt Services			4,545	4,545
Total Cash Disbursements	22,213	2,700	5,135	30,048
Total Cash Receipts Over/ (Under) Cash Disbursements	4,032	110	(5,135)	(993)
Other Financing Sources (Uses)				
Transfers-In		1,300	1,950	3,250
Transfers-Out	(3,250)			(3,250)
Total Other Financing Sources	(3,250)	1,300	1,950	
Net Cash Receipts Over/(Under) Cash Disbursements	782	1,410	(3,185)	(993)
Fund Cash Balances, January 1	376	1,461	3,234	5,071
Fund Cash Balances, December 31	\$1,158	\$2,871	\$ 49	\$4,078

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

**VILLAGE OF CONGRESS
WAYNE 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$14,367	\$454		\$14,821
Intergovernmental Receipts	10,704	2,779		13,483
Earnings on Investments	87	27		114
Miscellaneous	1			1
Total Cash Receipts	25,159	3,260		28,419
Cash Disbursements:				
Current:				
Security of Persons and Property	1,904			1,904
Public Health Service	4,507			4,507
Transportation		9,964		9,964
General Government	18,854			18,854
Capital Outlay			17,695	17,695
Debt Services			1,711	1,711
Total Cash Disbursements	25,265	9,964	19,406	54,635
Total Cash Receipts Over/ (Under)				
Cash Disbursements	(106)	(6,704)	(19,406)	(26,216)
Other Financing Sources (Uses)				
Transfers-In		6,444		6,444
Transfers-Out	(4,344)		(2,100)	(6,444)
Total Other Financing Sources	(4,344)	6,444	(2,100)	
Net Cash Receipts Over/(Under) Cash				
Disbursements	(4,450)	(260)	(21,506)	(26,216)
Fund Cash Balances, January 1	4,826	1,721	24,740	31,287
Fund Cash Balances, December 31	\$376	\$1,461	\$3,234	\$5,071

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

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Congress, Wayne County, (the Village) is a body of 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 and Mayor and an elected Clerk-Treasurer. The Village provides maintenance of Village streets and highways. Police services are contracted with the Wayne County Sheriff.

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Capital Project Fund.

Village Hall Improvement Fund- This fund is used for the construction of a municipal building.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ 4,078	\$ 5,071

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,433	\$26,245	\$2,812
Special Revenue	9,350	4,110	(5,240)
Capital Projects	_____	1,950	1,950
Total	\$32,783	\$32,305	(\$478)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,394	\$25,463	\$8,931
Special Revenue	10,100	2,700	7,400
Capital Projects	8,452	5,135	3,317
Total	\$52,946	\$33,298	\$19,648

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,879	\$25,159	\$280
Special Revenue	3,863	9,704	5,841
Capital Projects	_____	_____	_____
Total	\$28,742	\$34,863	\$6,121

WAYNE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$26,998	\$29,609	(\$2,611)
Special Revenue	9,445	9,964	(519)
Capital Projects		21,506	(21,506)
Total	\$36,443	\$61,079	(\$24,636)

Contrary to the Ohio Revised Code, expenditures exceeded appropriations during 2004 in the General, Special Revenue, and Capital Projects Fund Types; and, appropriations exceeded estimated resources in the General and the Capital Projects Fund Types in 2005, and in the Special Revenue Fund Type in 2004.

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contributions rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. All contributions were paid for OPERS through 2005 and 2004.

6. RISK MANAGEMENT

In 2005 and 2004 the Village has obtained commercial insurance for the following risks:

- Buildings and contents;
- Vehicles;
- Public officials' liability; and
- Inland marine.

WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

7. DEBT OBLIGATIONS

At December 31, 2005 debt obligations consisted of the following issuance:

<u>Description</u>	<u>Balance at December 31, 2005</u>
2003 bonds issued for the purpose of acquiring and improving real estate, due in semi-annual installments over ten years, bearing interest of 4.75%.	\$22,564

The following is a summary of principal maturities plus interest:

<u>Year Ending December 31</u>	<u>Improvement Bonds</u>
2006	\$ 3,423
2007	3,423
2008	3,423
2009	3,423
2010	3,423
2011-2015	<u>10,861</u>
Total	<u>\$27,976</u>

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, managements believes such refunds, if any, would not be material.

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KNOX & KNOX

Accountants and Consultants

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

Village of Congress
Wayne County
216 Mill Street
West Salem, Ohio 44287

To the Village Council:

We have audited the accompanying financial statements of the Village of Congress, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 29, 2006 wherein we noted that the Village prepared its financial statements using accounting practices prescribed by the Auditor of State 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Village's management dated September 29, 2006, we reported two matters related to non-compliance that we deemed immaterial.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's Internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Village's management dated September 29, 2006 we reported a matter involving internal control over financial reporting that we did not deem a reportable condition.

This report is intended solely for the information and use of the management, the audit committee, the Village Council, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
September 29, 2006

WAYNE COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-01	Ohio Revised Code Section 5705.41(D), failure to certify funds	Yes	Findings no longer valid
2003-02	Lack of liability insurance	Yes	Findings no longer valid



**Auditor of State
Betty Montgomery**

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 CONGRESS

WAYNE 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
DECEMBER 28, 2006**