

**Village of Warsaw
Coshocton County
Regular Audit
For the Year Ended December 31, 2005**



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Warsaw
P.O. Box 399
Warsaw, Ohio 43844-0399

We have reviewed the *Independent Auditors' Report* of the Village of Warsaw, Coshocton County, prepared by Perry and Associates, CPA's, A.C., for the audit period January 1, 2005 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.

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

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

Mary Taylor, CPA
Auditor of State

August 28, 2007

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Village of Warsaw
Coshocton County

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Perry & Associates
Certified Public Accountants, A.C.

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INDEPENDENT ACCOUNTANTS' REPORT

June 27, 2007

Village of Warsaw
Coshocton County
322 Mill Street
P.O. Box 399
Warsaw, Ohio 43844

To the Village Council:

We have audited the accompanying financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the Village of Warsaw, Coshocton County, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. 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.

Except as discussed in paragraph four, 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' *Governmental 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 opinions.

As described more fully in Note 2.C, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

We were unable to determine the completeness, occurrence, allocation, and rights and obligations of Charges for Services recorded in the Parks Fund, a Governmental Special Revenue Fund Type, nor were we able to satisfy ourselves as to those receipts by other auditing procedures. These Charges for Services revenues represent 10.03 percent of revenues of the Governmental Fund Type for the year ended December 31, 2005.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain the information and documentation to support Charges for Services revenues in the Parks Fund, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Village as of December 31, 2005, and the respective changes in the cash financial position and the respective budgetary comparison for the General Fund, Street Construction, Maintenance, and Repair Fund, Parks Fund, and the Cemetery Endowment Fund, thereof for the year ended in conformity with the basis of accounting Note 2 describes.

Village of Warsaw
Coshocton County
Independent Accountant's Report

For the year ended December 31, 2005, the Village revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2007, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

Village of Warsaw
Coshocton County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of Village of Warsaw financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlight for 2005 are as follows:

- Net assets of governmental activities decreased \$17,751, or 15.8 percent, a significant change from the prior year. This decrease from 2004 to 2005 was due in part to a grant for the pool project that was held in the General Fund at the end of the year 2004. Most funds were affected by cost increases in 2005.
- The Village's general receipts are primarily intergovernmental and charges for services. These receipts represent 27.6 and 21.7 percent, respectively of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the area has slowed.
- In December 2004, the area was hit with a severe ice storm. The Village received \$21,997 in FEMA monies in 2005 to repair the storm damages.
- Beginning in January 2005, several oil & gas wells on Village owned property began production. The revenues realized from these endeavors totaled \$14,010 for the year in the General Fund and \$8,767 for the Cemetery Fund.
- In 2004, a major project began at the River View Community Pool. Several grants were received in 2004 and 2005 for a total of \$79,000 towards replacing the filter system and adding water features to the children's pool area.
- In Spring of 2005 the pool was facing a shortage of operating funds to open for the season. A contribution drive was held and area residents donated \$6,225.
- In March 2005, a bond was issued to pay for a paving project that should have been funded with grant money. A miscommunication occurred between authorities of the Village and the Commissioner's office and the project was started before final approval was given. Consequently, the Village was forced to issue the bond in the amount of \$29,476, to be paid back within the next five years. Payments will be made from the Resurfacing Fund and Street Construction Maintenance and Repair fund. First payment is due in March 2006.
- In November 2005, the citizens of the Village passed two renewal levies that were to expire in 2005. The 2.5 mil levy was used to fund current expenses in the General fund and the other 1.5 mil levy to fund Street resurfacing.
- In 2005, the health care costs for the Village Administrator rose from \$6,102 in 2004 to \$6,982 for a 14% percent increase.
- The Village's business-type activities are the Water & Sewer operations. In the Water Fund, expenditures were \$89,466 and revenues were \$78,004. A water well drilling project started during 2005, which increased expenses.

Village of Warsaw
Coshocton County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Highlights (continued)

- During the summer of 2005, a grant was received from the County Commissioner's to fund a new water well drilling project. The grant totaled \$112,000. After drilling the test well, the source well was deemed inadequate to supply water to the Village. The grant money was re-designated and the existing wells were rehabilitated. The cost to the Village was the cost of the test well drilling and engineering costs, totaling \$15,495.
- Sewer operation expenditures were \$97,998 and revenues totaled \$106,952.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

Village of Warsaw
Coshocton County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Village as a Whole (continued)

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. Water and sewer services have charges based on the amounts of usage. The Village charges fees to recoup the cost of the entire operation, as well as all capital expenses associated with these facilities and equipment.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Construction Maintenance and Repair Fund, Parks Fund and the Cemetery Endowment Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements, if necessary.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the water and sewer fund. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village did not have any internal services funds in 2005.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

Village of Warsaw
Coshocton County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	Business-Type Activities	Total
	2005	2005	2005
Assets			
Cash and Cash Equivalents	\$ 54,502	\$ 20,094	\$ 74,596
Investments	39,995	112,558	152,553
Total Assets	<u>\$ 94,497</u>	<u>\$ 132,652</u>	<u>\$ 227,149</u>
Net Assets			
Restricted for:			
Capital Projects	508	-	508
Permanent Fund:			
Expendable	69	-	69
NonExpendable	29,995	-	29,995
Other Purposes	38,507	132,652	171,159
Unrestricted	25,418	-	25,418
Total Net Assets	<u>\$ 94,497</u>	<u>\$ 132,652</u>	<u>\$ 227,149</u>

The net assets of Village decreased \$20,170 or 8 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The new addition to the RiverView Community Pool was completed. The total cost of the project was \$87,492. Grants funded \$79,000 of this project. The Park Fund contributed \$5,273, General Fund contributions to this project totaled \$3,219.
- The Audit of the Village for years 2003-2004 was performed at a cost of \$7,000.
- Increases in fuel costs affected all areas of the Village's operations.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Village of Warsaw
Coshocton County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Village as a Whole (continued)

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services	\$81,151	\$182,455	\$263,606
Operating Grants and Contributions	23,339	-	23,339
Total Program Receipts	<u>104,490</u>	<u>182,455</u>	<u>286,945</u>
General Receipts:			
Property and Other Local Taxes	49,244	-	49,244
Grants and Entitlements Not Restricted to Specific Programs	103,210	-	103,210
Interest	2,160	1,155	3,315
Miscellaneous	65,804	1,346	67,150
Note Proceeds	49,276	-	49,276
Total General Receipts	<u>269,694</u>	<u>2,501</u>	<u>272,195</u>
Total Receipts	<u>374,184</u>	<u>184,956</u>	<u>559,140</u>
Disbursements:			
General Government	55,927	-	55,927
Community Environment	4,458	-	4,805
Security of Persons and Property	29,254	-	29,254
Public Health Services	22,470	-	22,470
Leisure Time Activities	169,258	-	169,258
Basic Utilities	9,681	-	9,681
Capital Outlay	29,476	-	29,476
Transportation	37,051	-	37,051
Principal Payments	30,279	-	30,279
Interest and Fiscal Charges	2,120	-	2,120
Other	1,872	-	1,872
Water Operating	-	89,466	89,465
Sewer Operating	-	97,998	97,997
Total Disbursements	<u>391,846</u>	<u>187,464</u>	<u>481,658</u>
Excess (Deficiency) Before Transfers	(17,662)	(2,508)	(20,170)
Transfers	(89)	89	-
Increase (Decrease) in Net Assets	<u>(17,751)</u>	<u>(2,419)</u>	<u>(20,170)</u>
Net Assets, January 1, 2005	<u>112,248</u>	<u>135,071</u>	<u>247,319</u>
Net Assets, December 31, 2005	<u>\$94,497</u>	<u>\$132,652</u>	<u>\$227,149</u>

Governmental program receipts represent only 28 percent of total governmental receipts and are primarily comprised of charges for services receipts.

Village of Warsaw
Coshocton County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Village as a Whole (continued)

Governmental general receipts represent 72 percent of the Village's total governmental receipts, and of this amount, 18 percent are local taxes. State and federal grants and entitlements make up 38 percent of the Village's general receipts. Miscellaneous Receipts account for another 24 percent, which includes the gas and oil royalties the Village has recently started to receive. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Leisure Time Activities and General Government, which account for 43 and 14 percent of all Village disbursements, respectively. Transportation also represents a significant cost, about 9 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Total Cost Of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
General Government	\$55,927	(\$24,109)
Security of Persons and Property	29,254	(29,254)
Public Health Services	22,470	1,021
Leisure Time Activities	169,258	(156,083)
Community Environment	4,458	(4,458)
Basic Utilities	9,681	23,399
Transportation	37,051	(34,125)
Capital Outlay	29,476	(29,476)
Other	1,872	(1,872)
Principal Retirement	30,279	(30,108)
Interest and Fiscal Charges	2,120	(2,291)
Total Expenses	<u>\$391,846</u>	<u>(\$287,356)</u>

Village of Warsaw
Coshocton County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Village as a Whole (continued)

Business-type Activities

The water and sewer operations of the Village routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded.

The Village's Funds

Total governmental funds had receipts of \$374,184 and disbursements of \$391,935. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$16,406 as the result of spending for the Pool Project and increased costs for salaries and benefits.

General Fund receipts were less than disbursements by \$16,406 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Government amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and original budgeted receipts was \$67,491.

Final disbursements were budgeted at \$221,807 while actual disbursements were \$197,055. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$16,406 for 2005.

Debt Administration

Debt

At December 31, 2005, the Government's outstanding debt included \$156,668 in general obligation bonds issued for improvements to buildings and structures, and \$19,149 in capital leases for facilities and equipment. For further information regarding the Government's debt, refer to Note 10, 11 and 12 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The increases in energy costs have impacted our village and will continue to do so in the future. Our goals for the future are to cut cost wherever possible and continue to maintain our current level of services to our residents.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cheryl Jones, Fiscal Officer, Village of Warsaw, 322 Mill St, PO Box 399 Warsaw, Ohio 43844.

Village of Warsaw
Coshocton County
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 54,502	\$ 20,094	\$ 74,596
Investments	39,995	112,558	152,553
<i>Total Assets</i>	<u>94,497</u>	<u>132,652</u>	<u>227,149</u>
Net Assets			
Restricted for:			
Capital Projects	508	-	508
Permanent Fund:			
Expendable	69	-	69
Nonexpendable	29,995	-	29,995
Other Purposes	38,507	132,652	171,159
Unrestricted	<u>25,418</u>	<u>-</u>	<u>25,418</u>
<i>Total Net Assets</i>	<u>\$ 94,497</u>	<u>\$ 132,652</u>	<u>\$ 227,149</u>

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

Village of Warsaw
Coshocton County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) and Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 55,927	\$ 11,405	\$ 20,413	(24,109)	\$ -	\$ (24,109)
Security of Persons and Property	29,254	-	-	(29,254)	-	(29,254)
Public Health Services	22,470	23,491	-	1,021	-	1,021
Leisure Time Activities	169,258	13,175	-	(156,083)	-	(156,083)
Community Environment	4,458	-	-	(4,458)	-	(4,458)
Basic Utility Services	9,681	33,080	-	23,399	-	23,399
Transportation	37,051	-	2,926	(34,125)	-	(34,125)
Capital Outlay	29,476	-	-	(29,476)	-	(29,476)
Debt Service				-		
Principal	30,279	-	-	(30,279)	-	(30,279)
Interest	2,120	-	-	(2,120)	-	(2,120)
Other	1,872	-	-	(1,872)	-	(1,872)
<i>Total Governmental Activities</i>	<u>\$ 391,846</u>	<u>\$ 81,151</u>	<u>\$ 23,339</u>	<u>\$ (287,356)</u>	<u>\$ -</u>	<u>\$ (287,356)</u>
Business-Type Activities						
Water Operating	89,466	77,856	-	-	(11,610)	(11,610)
Sewer Operating	97,998	104,599	-	-	6,601	6,601
<i>Total Business-Type Activities</i>	<u>187,464</u>	<u>182,455</u>	<u>-</u>	<u>-</u>	<u>(5,009)</u>	<u>(5,009)</u>
<i>Total</i>	<u>\$ 579,310</u>	<u>263,606</u>	<u>23,339</u>	<u>(287,356)</u>	<u>(5,009)</u>	<u>(292,365)</u>
General Receipts						
Property Taxes				49,244	-	49,244
Grants and Entitlements not Restricted to Specific Programs				103,210	-	103,210
Interest				2,160	1,155	3,315
Miscellaneous				65,804	1,346	67,150
Note Proceeds				49,276	-	49,276
<i>Total General Receipts</i>				<u>269,694</u>	<u>2,501</u>	<u>272,195</u>
Transfers				(89)	89	-
<i>Total General Receipts, Transfers and Advances</i>				<u>269,605</u>	<u>2,590</u>	<u>272,195</u>
Change in Net Assets				(17,751)	(2,419)	(20,170)
<i>Net Assets Beginning of Year</i>				<u>112,248</u>	<u>135,071</u>	<u>247,319</u>
<i>Net Assets End of Year</i>				<u>\$ 94,497</u>	<u>\$ 132,652</u>	<u>\$ 227,149</u>

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

Village of Warsaw
Coshocton County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Street Construction Maintenance and Repair	Parks	Cemetery Endowment	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 20,418	\$ 14,880	\$ 3,976	\$ 69	\$ 15,159	\$ 54,502
Investments	5,000	-	-	29,995	5,000	39,995
<i>Total Assets</i>	<u>25,418</u>	<u>14,880</u>	<u>3,976</u>	<u>30,064</u>	<u>20,159</u>	<u>94,497</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	-	10	-	-	-	10
Permanent Fund	-	-	-	30,064	-	30,064
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	25,418	-	-	-	-	25,418
Special Revenue Funds	-	14,870	3,976	-	19,651	38,497
Capital Projects Funds	-	-	-	-	508	508
<i>Total Fund Balances</i>	<u>\$ 25,418</u>	<u>\$ 14,880</u>	<u>\$ 3,976</u>	<u>\$ 30,064</u>	<u>\$ 20,159</u>	<u>\$ 94,497</u>

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

Village of Warsaw
Coshocton County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Street Construction Maintenance and Repair	Parks	Cemetery Endowment	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 42,991	\$ 1,109	\$ -	\$ -	\$ 5,144	\$ 49,244
Intergovernmental	73,810	29,923	105	-	22,774	126,612
Charges for Services	10,303	-	37,541	-	32,205	80,049
Fines, Licenses and Permits	1,102	-	-	-	-	1,102
Interest	644	-	-	1,418	98	2,160
Other	31,810	-	28,527	-	5,215	65,552
<i>Total Receipts</i>	<u>160,660</u>	<u>31,032</u>	<u>66,173</u>	<u>1,418</u>	<u>65,436</u>	<u>324,719</u>
Disbursements						
Current:						
General Government	55,198	-	-	-	729	55,927
Security of Persons and Property	29,254	-	-	-	-	29,254
Public Health Services	2,063	-	-	-	20,407	22,470
Leisure Time Activities	81,269	-	63,105	-	24,884	169,258
Community Environment	618	-	-	-	3,840	4,458
Basic Utility Service	986	-	-	-	8,695	9,681
Transportation	-	29,715	-	-	7,336	37,051
Capital Outlay	-	29,476	-	-	-	29,476
Debt Service:						
Principal Retirement	26,463	3,816	-	-	-	30,279
Interest and Fiscal Charges	1,074	462	584	-	-	2,120
<i>Total Disbursements</i>	<u>196,925</u>	<u>63,469</u>	<u>63,689</u>	<u>-</u>	<u>65,891</u>	<u>389,974</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(36,265)</u>	<u>(32,437)</u>	<u>2,484</u>	<u>1,418</u>	<u>(455)</u>	<u>(65,255)</u>
Other Financing Sources (Uses)						
Note Proceeds	19,800	29,476	-	-	-	49,276
Transfers Out	(89)	-	-	-	-	(89)
Other Financing Sources	189	-	-	-	-	189
Other Financing Uses	(41)	(1,151)	-	-	(680)	(1,872)
Total Other Financing Sources (Uses)	<u>19,859</u>	<u>28,325</u>	<u>-</u>	<u>-</u>	<u>(680)</u>	<u>47,504</u>
Net Change in Fund Balances	(16,406)	(4,112)	2,484	1,418	(1,135)	(17,751)
<i>Fund Balances Beginning of Year</i>	<u>41,824</u>	<u>18,992</u>	<u>1,492</u>	<u>28,646</u>	<u>21,294</u>	<u>112,248</u>
<i>Fund Balances End of Year</i>	<u>\$ 25,418</u>	<u>\$ 14,880</u>	<u>\$ 3,976</u>	<u>\$ 30,064</u>	<u>\$ 20,159</u>	<u>\$ 94,497</u>

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

Village of Warsaw
Coshocton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 46,100	\$ 46,100	\$ 42,991	\$ (3,109)
Intergovernmental	41,458	69,224	73,810	4,586
Charges for Services	21,751	61,476	10,303	(51,173)
Fines, Licenses and Permits	1,040	1,040	1,102	62
Interest	500	500	644	144
Other	250	250	31,810	31,560
<i>Total receipts</i>	<u>111,099</u>	<u>178,590</u>	<u>160,660</u>	<u>(17,930)</u>
Disbursements				
Current:				
General Government	58,154	67,686	55,198	12,488
Security of Persons and Property	27,257	41,207	29,254	11,953
Public Health Services	3,550	3,550	2,063	1,487
Leisure Time Activities	63,441	104,314	81,269	23,045
Community Environment	1,350	1,100	618	482
Basic Utility Services	1,000	1,000	986	14
Debt Service:				
Principal Retirement	-	-	26,463	(26,463)
Interest and Fiscal Charges	2,800	2,800	1,074	1,726
<i>Total Disbursements</i>	<u>157,552</u>	<u>221,657</u>	<u>196,925</u>	<u>24,732</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(46,453)</u>	<u>(43,067)</u>	<u>(36,265)</u>	<u>6,802</u>
Other Financing Sources (Uses)				
Note Proceeds	-	-	19,800	19,800
Transfers In	-	-	-	-
Transfers Out	-	(100)	(89)	11
Other Financing Sources	2,000	1,904	189	(1,715)
Other Financing Uses	-	(50)	(41)	9
<i>Total Other Financing Sources (Uses)</i>	<u>2,000</u>	<u>1,754</u>	<u>19,859</u>	<u>18,105</u>
<i>Net Change in Fund Balance</i>	(44,453)	(41,313)	(16,406)	24,907
<i>Fund Balance Beginning of Year</i>	41,330	41,330	41,330	-
<i>Prior Year Encumbrances Appropriated</i>	494	494	494	-
<i>Fund Balance End of Year</i>	<u>\$ (2,629)</u>	<u>\$ 511</u>	<u>\$ 25,418</u>	<u>\$ 24,907</u>

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

Village of Warsaw
Coshocton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 1,900	\$ 1,900	\$ 1,109	\$ (791)
Intergovernmental	29,800	29,800	29,923	123
<i>Total receipts</i>	<u>31,700</u>	<u>31,700</u>	<u>31,032</u>	<u>(668)</u>
Disbursements				
Current:				
Transportation	46,428	46,428	29,715	16,713
Capital Outlay	-	-	29,476	(29,476)
Debt Service:				
Principal Retirement	-	-	3,816	(3,816)
Interest and Fiscal Charges	4,165	4,165	462	3,703
<i>Total Disbursements</i>	<u>50,593</u>	<u>50,593</u>	<u>63,469</u>	<u>(12,876)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,893)</u>	<u>(18,893)</u>	<u>(32,437)</u>	<u>(13,544)</u>
Other Financing Sources (Uses)				
Note Proceeds	-	-	29,476	29,476
Other Financing Sources	4,100	29,476	-	(29,476)
Other Financing Uses	(3,835)	(33,311)	(1,151)	32,160
<i>Total Other Financing Sources (Uses)</i>	<u>265</u>	<u>(3,835)</u>	<u>28,325</u>	<u>32,160</u>
<i>Net Change in Fund Balance</i>	(18,628)	(22,728)	(4,112)	18,616
<i>Fund Balance Beginning of Year</i>	18,802	18,802	18,802	-
<i>Prior Year Encumbrances Appropriated</i>	190	190	190	-
<i>Fund Balance End of Year</i>	<u>\$ 364</u>	<u>\$ (3,736)</u>	<u>\$ 14,880</u>	<u>\$ 18,616</u>

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

Village of Warsaw
Coshocton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Parks Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ -	\$ -	\$ 105	\$ 105
Charges for Services	33,950	51,100	37,541	(13,559)
Other	12,400	17,400	28,527	11,127
<i>Total receipts</i>	<u>46,350</u>	<u>68,500</u>	<u>66,173</u>	<u>(2,327)</u>
Disbursements				
Current:				
Public Health Services	250	250	-	250
Leisure Time Activities	54,002	70,002	63,105	6,897
Interest and Fiscal Charges	-	-	584	(584)
<i>Total Disbursements</i>	<u>54,252</u>	<u>70,252</u>	<u>63,689</u>	<u>6,563</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,902)</u>	<u>(1,752)</u>	<u>2,484</u>	<u>4,236</u>
Other Financing Sources (Uses)				
Transfers In	1,500	1,500	-	(1,500)
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
<i>Net Change in Fund Balance</i>	(6,402)	(252)	2,484	2,736
<i>Fund Balance Beginning of Year</i>	1,374	1,374	1,374	-
<i>Prior Year Encumbrances Appropriated</i>	118	118	118	-
<i>Fund Balance End of Year</i>	<u>\$ (4,910)</u>	<u>\$ 1,240</u>	<u>\$ 3,976</u>	<u>\$ 2,736</u>

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

Village of Warsaw
Coshocton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Cemetery Endowment Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Interest	1,000	1,000	1,418	418
<i>Total receipts</i>	<u>1,000</u>	<u>1,000</u>	<u>1,418</u>	<u>418</u>
Disbursements				
Current:				
<i>Total Disbursements</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,000</u>	<u>1,000</u>	<u>1,418</u>	<u>418</u>
<i>Net Change in Fund Balance</i>	1,000	1,000	1,418	418
<i>Fund Balance Beginning of Year</i>	28,646	28,646	28,646	-
<i>Fund Balance End of Year</i>	<u>\$ 29,646</u>	<u>\$ 29,646</u>	<u>\$ 30,064</u>	<u>\$ 418</u>

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

Village of Warsaw
Coshocton County
Statement of Cash Basis Assets and Fund Balances - Cash Basis
Proprietary Funds
December 31, 2005

	Water Operating	Sewer Operating	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,797	\$ 16,297	\$ 20,094
Investments	8,377	104,181	112,558
<i>Total Assets</i>	<u>12,174</u>	<u>120,478</u>	<u>132,652</u>
Net Assets			
Restricted For:			
Other Purposes	12,174	120,478	132,652
<i>Total Net Assets</i>	<u>\$ 12,174</u>	<u>\$ 120,478</u>	<u>\$ 132,652</u>

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

**Village of Warsaw
Coshocton County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Water Operating	Sewer Operating	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$ 77,856	\$ 104,599	\$ 182,455
<i>Total Operating Receipts</i>	<u>77,856</u>	<u>104,599</u>	<u>182,455</u>
Operating Disbursements			
Personal Services	33,192	36,651	69,843
Employee Fringe Benefits	7,375	7,685	15,060
Contractual Services	17,178	23,033	40,211
Supplies and Materials	9,324	17,721	27,045
Other	18	-	18
<i>Total Operating Disbursements</i>	<u>67,087</u>	<u>85,090</u>	<u>152,177</u>
<i>Operating Income (Loss)</i>	<u>10,769</u>	<u>19,509</u>	<u>30,278</u>
Non Operating Receipts (Disbursements)			
Interest	46	1,109	1,155
Miscellaneous Receipts	-	1,244	1,244
Capital Outlay	(15,338)	(31)	(15,369)
Principal Payments	(5,601)	(7,985)	(13,586)
Interest and Fiscal Charges	(1,440)	(4,892)	(6,332)
Other Financing Sources	102	-	102
<i>Total Non Operating Receipts (Disbursements)</i>	<u>(22,231)</u>	<u>(10,555)</u>	<u>(32,786)</u>
<i>Income (Loss) before Transfers</i>	<u>(11,462)</u>	<u>8,954</u>	<u>(2,508)</u>
Transfers In	19	70	89
<i>Change in Net Assets</i>	(11,443)	9,024	(2,419)
<i>Net Assets Beginning of Year</i>	<u>23,617</u>	<u>111,454</u>	<u>135,071</u>
<i>Net Assets End of Year</i>	<u>\$ 12,174</u>	<u>\$ 120,478</u>	<u>\$ 132,652</u>

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

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

The Village of Warsaw, Coshocton County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A six-member Council elected at large for four-year terms directs the Village. The Mayor is elected to a four-year term and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and park and cemetery operations.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village of Warsaw has no component units in 2005.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets, a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction, Maintenance and Repair Fund and the Parks Fund.

General Fund- The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (continued)

Governmental Funds (continued)

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 Funds:

Street Construction, Maintenance and Repair Fund- This fund is used to care for the Village's streets and sidewalks.

Parks Fund- This fund is used to administer the Riverview Community Park and Pool.

Cemetery Endowment – The Village's Cemetery Endowment Fund is used to support the Valley View Cemetery.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village's proprietary funds are classified as enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds - Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village had no agency funds in 2005.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

During 2005, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$644, which includes \$89 assigned from other Village funds.

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

L. Capital Assets

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

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is (and any major special revenue fund are) prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to zero dollars in the general fund. The outstanding advances at year-end amounted to zero dollars for the general fund.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
8. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year-end, the Village had no undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (continued)

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, bank balances of \$239,785 is insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

The carrying amount of cash and investments on December 31 was as follows:

	<u>2005</u>
Demand Deposits	\$ 74,596
Investments	<u>152,553</u>
Total	<u>\$ 227,149</u>

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due March 8; if paid semiannually, the first payment is due March 8, with the remainder payable by July 19.

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Property Taxes (continued)

The full tax rate for all Village operations for the year ended December 31, 2004, was \$10.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property:	
Residential	\$4,794,450
Agriculture	23,850
Public Utility Property:	
Real	1,332,500
Personal	327,770
Tangible Personal Property	184,850
Total Assessed Value	<u>\$6,663,420</u>

Note 7 – Risk Management

The Village is covered by the Ohio Plan. The purpose of the Ohio Plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; (Ohio Revised Code 2744) to prevent or lessen the incidence and severity of losses occurring from the activities of the members; and to defend and protect members of the Ohio Plan against allegations of negligence or loss. Our administrator of the Ohio Plan is Rinehart, Walters, Danner & Associates of Mansfield, Ohio. The Ohio Plan provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Property coverage contracts protect against losses, subject to a deductible of \$1,000, limited to an annual aggregate loss of \$2,091,402.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 – Defined Benefit Pension Plans (continued)

A. Ohio Public Employees Retirement System (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$24,489, \$27,194 and \$24,489 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$15,049 made by the Village and \$9,440 made by the plan members.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 were not readily available at this time. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 - Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 - Notes Payable

A summary of the note transactions for the year ended December 31, 2005, follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>
<u>Bond Anticipation Note</u>					
2005 Issue - Swimming Pool Addition	6.5%	\$0	\$19,800	\$19,800	\$ 0

This Swimming Pool Bond was issued to help with the new addition to the River View Community Pool. The money was used to complete the project. When the project was completed the Village was awarded a Nature Works Grant from the ODNR and that was used to pay off the note in 2005.

Note 11 - Debt

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>
2005 Street Paving Bond	4.25%	\$0	\$29,476	\$0	\$29,476
2004 Truck Loan	3.45%	16,397	0	3,967	12,430
2001 Police Cruiser	5.50%	6,149	0	4,563	1,586
1999 Post Office Building	4.75%	17,709	0	1,949	15,760
Total Governmental Activities		\$40,255	\$29,476	\$10,479	\$59,252
<u>Business-Type Activities</u>					
1999 Sanitary Sewer Loan	4.75%	\$105,401	\$0	\$7,985	\$97,416
Total Business-Type Activities		\$105,401	\$0	\$7,985	\$97,416

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 11 – Debt (continued)

In March 2005, a bond was issued to pay for a paving project that will be funded with grant money. The bond in the amount of \$29,476 will be paid back within the next five years. Annual payments of \$6,668 will be made from the Resurfacing Fund and Street Construction Maintenance and Repair fund. The first payment is due in March 2006.

The Truck Loan is with Ohio Heritage, due April 2009 with interest at 3.45%. The minimum payment is \$347 per month. This was used to purchase a 2001 truck.

The Cruiser Loan is with Bank One, due April 2006 with interest at 5.5%. The minimum payment is \$401 per month. This was used to purchase a police cruiser.

The Post Office Loan is with Bank One, due July 2012 with interest of 4.75%. The minimum payment is \$229 per month. This was used to purchase the old Village post office.

The Sanitary Sewer Loan is with Bank One, due July 2015 with interest of 4.75%. The minimum payment is \$1,073 per month. This was used to perform sewer projects.

The following is a summary of the Village’s future annual debt service requirements (principal and interest):

Year	Street Paving Bond	Truck Loan	Police Cruiser Loan	Post Office Building	Sanitary Sewer Loan	Total
2006	\$6,668	\$4,167	\$1,586	\$2,750	\$12,877	\$28,048
2007	6,668	4,167		2,750	12,877	26,462
2008	6,668	4,167		2,750	12,877	26,462
2009	6,667	694		2,750	12,877	22,988
2010	6,667			2,750	12,877	22,294
2011				2,750	12,877	15,627
2012 – 2015				1,756	46,771	48,527
Totals	<u>\$33,338</u>	<u>\$13,195</u>	<u>\$1,586</u>	<u>\$18,256</u>	<u>\$124,033</u>	<u>\$190,408</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

Note 12 – Leases

The Village had made \$5,601 of principal lease payments for equipment used for the Water Well Improvements Project, ending with a balance of \$19,149. Future lease payments including interest are as follows (*next five years individually then five year increments*):

Year	Amount
2006	\$7,041
2007	7,041
2008	7,041
Total	<u>\$ 21,123</u>

Village of Warsaw
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 13 – Interfund Transfers

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Major Enterprise Fund	\$ 89
Total Transfers from the General Fund	<u>\$ 89</u>

These transfers are to shift interest from the Water and Sewer savings accounts into those investment funds.

Note 14– Contingent Liabilities

The Village is currently not party to any litigation.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 15– Compliance

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations during 2005 in the General Fund, the Parks Fund, the Recreation Fund and FEMA Fund.

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 40% of expenditures testing during 2005.

Perry & Associates
Certified Public Accountants, A.C.

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

June 27, 2007

Village of Warsaw
Coshocton County
322 Mill Street
P.O. Box 399
Warsaw, Ohio 43844

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Warsaw, Coshocton County, (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 27, 2007, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2005-001 through 2005-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2005-001 through 2005-005 described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 27, 2007.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standard* which are described in the accompanying schedule of findings as items 2005-006 and 2005-007.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Significant Deficiency/Material Weakness

Monitoring of Delinquent Water and Sewer Tax Accounts

Upon our review of the Village's Water and Sewer Departments, we could find no evidence the Village monitors delinquent accounts nor could we find a formal policy for the collection of delinquent accounts. Upon discussion with staff, a list of delinquent accounts had not been generated for a significant length of time. Council is responsible for monitoring water and sewer collections of the Village. They receive financial information from the Village Clerk at their monthly meetings, however, a list of delinquent income tax accounts is not provided. As a result of not reviewing and addressing delinquent accounts, the Village may be losing revenues due them.

The Village Council should adopt a policy detailing the methodology used to distinguish delinquent from uncollectible and the procedures for collecting on delinquent accounts. This policy should address the following issues:

- The monitoring and frequency of review for delinquent accounts
- The procedures to be utilized in an attempt to collect a delinquent account
- The period of time an account may remain delinquent before being classified as uncollectible
- The procedures for writing off an account as uncollectible

This will help ensure the Village has adequate policies and procedures in place for managing delinquent accounts.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-002

Significant Deficiency/Material Weakness

Monitoring of Adjustments to Water and Sewer Accounts

Council was not presented with and did not review any adjustment reports relating to customer billing. This could result in an increased risk of the District not receiving monies owed for water and sewer utilities. Also, inappropriate adjustments are more likely to occur without proper approval from the Council prior to an adjustments being made.

We recommend the Council review and approve bill adjustment reports on a monthly basis.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF WARSAW
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-003

Significant Deficiency/Material Weakness

Investments Reconciliations

The clerk did not reconcile the end of the year bank balances of investment to the end of the month investment balances per the Village's records. Rather, the Clerk reconciled the end of the month checking only bank balance to the cash balance per the Village's records. The Financial Reports the Council approved did not have a reconciliation of bank to book balance of the investments.

We recommend the Clerk reconcile at least quarterly the bank balances of the Village's Certificate of Deposits and Savings Accounts to the investment balances per the Cash Journal. We recommend the Clerk perform this reconciliation on the bank statements and include this reconciliation as part of the financial reports the Council approves at its meeting.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-004

Significant Deficiency/Material Weakness

Posting Receipts and Expenditures

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2005, several receipts and expenditures were not posted into accurate revenue classifications based on the source of the receipt or expenditure. For example, note proceed revenues were not posted into the correct receipt classification. In addition, the expenditures for the debt payments were posted to various other line items and entirely to interest rather than principal/interest payments. Taxes and intergovernmental receipts were posted to wrong line items. Royalty income was posted to Charges For Services rather than Miscellaneous. This resulted in several reclassification entries being made to the financial statements.

We recommend the Clerk refer to Ohio Administrative Code Section 117-7-01 and/or the Village Officers' Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-005

Significant Deficiency/Material Weakness

Village Swimming Pool

During our testing of pool receipts, we noted the following:

- The Village did not prepare a Daily Recap Sheet, which summarized daily activity, nor was there any indication the receipts were reconciled to daily deposits.
- The recreation department did not maintain an inventory for the concession items available for sale and there was not cost-of-goods performed.

The internal controls over the collection of pool receipts were inadequate and could result in misappropriation of Village assets.

We recommend the Village take the following actions concerning pool receipt collections:

- The Daily Recap Sheet should be properly completed, filed and signed by the Pool Manager.
- Whenever, an error has been made when operating the cash register (over/under ring), a void should be made. All voids or adjustments should be documented as to the reason and signed by the Pool Manager.
- Enhance the internal controls over season passes by recording the receipt # and amount paid on each application.
- Enhance the effectiveness/usefulness of the Daily Recap Sheet by including attendance and reconciling to amount collected.
- Consider preparing a formal written policy which summarizes the Village's procedures over the pool. These policies and procedures could be distributed to the applicable parties and acknowledgement forms could be signed and kept on file evidencing individuals' awareness of the Village's policies and procedures.
- The pool department should maintain a perpetual inventory of all concession goods. In addition, a cost-of-goods calculation should be performed to ascertain the reasonableness of the rates being charged in the concession area. Inventory sold should be compared to concession receipts on a regular basis to ensure reasonableness.
- The Village should consider the use of a cash register, providing a register tape to reconcile to Daily Recap Sheets.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2005 in the General fund, Parks Fund, Recreation Fund and the FEMA Fund.

We recommend the Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-007

Noncompliance Citation

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the 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 is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated 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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "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 the fiscal officer 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. Amounts of less than \$3,000 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.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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 one particular line item appropriation.

**VILLAGE OF WARSAW
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-007 (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

3. Super Blanket Certificate – The entity 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. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 40% of the expenditures tested during 2005. In addition there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

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 Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

**Village of Warsaw
Coshocton County**

**Schedule of Prior Audit Findings
December 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC § 5705.41 (D) – failure to issue purchase orders prior to invoices or services rendered.	No	Repeated Finding 2005-007



Mary Taylor, CPA
Auditor of State

VILLAGE OF WARSAW

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2007**