

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY  
Regular Audit  
For the Years Ended December 31, 2008 and 2007**

***Perry & Associates***  
Certified Public Accountants, A.C.

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# Mary Taylor, CPA

Auditor of State

Village Council  
Village of South Webster  
138 N. Jackson Street  
P.O. Box 38  
South Webster, Ohio 45682

We have reviewed the *Independent Accountants' Report* of the Village of South Webster, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of South Webster 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

November 15, 2010

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**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

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***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT**

September 16, 2010

Village of South Webster  
Scioto County  
P.O. Box 38  
South Webster, OH 45682

To the Members of Village Council:

We have audited the accompanying financial statements of the **Village of South Webster, Scioto County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. 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 6, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the second following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or their changes in financial position or cash flows for the years then ended.

The Village did not provide adequate supporting documentation for charges for services receipts to enable us to determine the completeness, occurrence, allocation, and rights and obligations of charges for services recorded in the Sewage Operations Fund, a Proprietary Fund Type, in the financial statements in 2008 and 2007, nor were we able to satisfy ourselves as to those receipts through the use of alternative procedures. These charges for services revenues represent 97 and 68 percent of revenues of the Proprietary Fund Type for the years ended December 31, 2008 and 2007, respectively.

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 the completeness, occurrence, allocation, and rights and obligations of charges for services receipts in the Sewage Operations Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Village of South Webster, Scioto County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2010 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.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 15,209	\$ 14,812	\$ -	\$ 30,021
Intergovernmental Receipts	8,579	34,984	-	43,563
Charges for Services	-	2,140	-	2,140
Fines, Licenses, and Permits	1,707	-	-	1,707
Earnings on Investments	1,200	96	15	1,311
Miscellaneous	62	-	-	62
	<u>26,757</u>	<u>52,032</u>	<u>15</u>	<u>78,804</u>
<b>Total Cash Receipts</b>				
	<u>26,757</u>	<u>52,032</u>	<u>15</u>	<u>78,804</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	81	11,647	-	11,728
Public Health Service	6,540	-	-	6,540
Leisure Time Activities	-	25	685	710
Basic Utility Services	1,300	956	-	2,256
Transportation	-	13,178	-	13,178
General Government	22,503	1,195	-	23,698
Capital Outlay	210	150	-	360
	<u>30,634</u>	<u>27,151</u>	<u>685</u>	<u>58,470</u>
<b>Total Cash Disbursements</b>				
	<u>30,634</u>	<u>27,151</u>	<u>685</u>	<u>58,470</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>(3,877)</u>	<u>24,881</u>	<u>(670)</u>	<u>20,334</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In	-	900	-	900
Transfers-Out	(900)	-	-	(900)
	<u>(900)</u>	<u>900</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(900)</u>	<u>900</u>	<u>-</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(4,777)</u>	<u>25,781</u>	<u>(670)</u>	<u>20,334</u>
<b>Fund Cash Balances, January 1</b>	<u>9,108</u>	<u>45,669</u>	<u>5,568</u>	<u>60,345</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 4,331</u>	<u>\$ 71,450</u>	<u>\$ 4,898</u>	<u>\$ 80,679</u>
<b>Reserve for Encumbrances</b>	<u>\$ 337</u>	<u>\$ 549</u>	<u>\$ 10</u>	<u>\$ 896</u>

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



**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 187,359
Special Assessments	30,843
	218,202
<b>Operating Cash Disbursements:</b>	
Personal Services	12,457
Fringe Benefits	664
Contractual Services	80,737
Material and Supplies	31,571
Other	12,724
	138,153
Total Operating Cash Disbursements	138,153
Operating Income/(Loss)	80,049
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Intergovernmental	47
Interest	203
Redemption of Principal	(102,410)
	(102,160)
Total Non-Operating Cash Receipts/(Disbursements)	(102,160)
Net Receipts Over/(Under) Disbursements	(22,111)
Fund Cash Balances, January 1	139,096
<b>Fund Cash Balances, December 31</b>	<b>\$ 116,985</b>
Reserve for Encumbrances, December 31	\$ 334

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

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 17,941	\$ 15,968	\$ -	\$ 33,909
Intergovernmental Receipts	9,325	30,978	-	40,303
Charges for Services	-	2,750	-	2,750
Fines, Licenses, and Permits	1,485	-	-	1,485
Earnings on Investments	898	306	136	1,340
Miscellaneous	299	-	40	339
	<u>29,948</u>	<u>50,002</u>	<u>176</u>	<u>80,126</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	57	9,910	-	9,967
Public Health Service	8,971	-	-	8,971
Leisure Time Activities	-	144	424	568
Basic Utility Services	1,774	2,849	-	4,623
Transportation	-	13,988	-	13,988
General Government	18,321	3,692	-	22,013
Capital Outlay	-	3,330	-	3,330
	<u>29,123</u>	<u>33,913</u>	<u>424</u>	<u>63,460</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Disbursements	<u>825</u>	<u>16,089</u>	<u>(248)</u>	<u>16,666</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In	-	1,112	700	1,812
Transfers-Out	(1,812)	-	-	(1,812)
	<u>(1,812)</u>	<u>1,112</u>	<u>700</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(987)	17,201	452	16,666
Fund Cash Balances, January 1	<u>10,095</u>	<u>28,468</u>	<u>5,116</u>	<u>43,679</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 9,108</b></u>	<u><b>\$ 45,669</b></u>	<u><b>\$ 5,568</b></u>	<u><b>\$ 60,345</b></u>
Reserve for Encumbrances	<u>\$ 530</u>	<u>\$ 721</u>	<u>\$ 10</u>	<u>\$ 1,261</u>

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

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 186,930
Special Assessments	35,488
Miscellaneous	52,083
Total Operating Cash Receipts	274,501
<b>Operating Cash Disbursements:</b>	
Personal Services	12,854
Fringe Benefits	698
Contractual Services	72,005
Material and Supplies	9,277
Other	713
Total Operating Cash Disbursements	95,547
Operating Income/(Loss)	178,954
<b>Non-Operating Cash (Disbursements)</b>	
Redemption of Principal	(96,262)
Total Non-Operating Cash Receipts/(Disbursements)	(96,262)
Net Receipts Over/(Under) Disbursements	82,692
Fund Cash Balances, January 1	56,404
<b>Fund Cash Balances, December 31</b>	<b>\$ 139,096</b>
Reserve for Encumbrances	\$ 789

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

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of South Webster, Scioto 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. The Village is directed by a publicly elected six member Council, a publicly elected Mayor, and an appointed Fiscal Officer. The Village provides general government services, including police services, maintenance of Village streets and highways and sewage facility operations.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Deposits**

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 disbursements, respectively.

The Village Fiscal Officer invests all available funds of the Village in an interest bearing checking account, savings accounts, and a certificate of deposit.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Street Light Fund - This fund receives property and other local tax money for the repair and erection of Village street lights.

**3. Permanent Funds (Trust Funds)**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Gazebo Fund - This fund received a lump sum amount to accrue interest. The interest income is used to maintain the Village's gazebo.

**4. Enterprise Funds**

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

Sewage Operations Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	<b>2008</b>	<b>2007</b>
Demand deposits	\$ 192,664	\$ 194,441
Certificates of deposit	5,000	5,000
Total deposits	\$ 197,664	\$ 199,441

**Deposits:** are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 25,520	\$ 26,757	\$ 1,237
Special Revenue	35,605	52,932	17,327
Permanent	200	15	(185)
Enterprise	240,350	218,452	(21,898)
Total	\$ 301,675	\$ 298,156	\$ (3,519)

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(CONTINUED)**

**3. BUDGETARY ACTIVITY (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 44,884	\$ 31,871	\$ 13,013
Special Revenue	57,327	27,700	29,627
Permanent	452	695	(243)
Enterprise	379,293	240,897	138,396
Total	\$ 481,956	\$ 301,163	\$ 180,793

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,600	\$ 29,948	\$ 3,348
Special Revenue	68,588	51,114	(17,474)
Permanent	-	876	876
Enterprise	478,090	274,501	(203,589)
Total	\$ 573,278	\$ 356,439	\$ (216,839)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,359	\$ 31,465	\$ 13,894
Special Revenue	68,617	34,634	33,983
Permanent	451	434	17
Enterprise	394,917	192,598	202,319
Total	\$ 509,344	\$ 259,131	\$ 250,213

**4. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(CONTINUED)**

**5. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Rate
OWDA Loan	\$ 2,509,051	0.00%

The Ohio Water Development Authority (OWDA) approved this loan in 2004 to pay off a previous loan for which the Village was in default. The initial loan was to pay for the Village's wastewater treatment project. An additional amount of \$27,246 was added by the OWDA to the outstanding principal during 2005. The Village has agreed to set utility rates sufficient to cover debt service payments.

During the audit period, OWDA reimbursed \$52,082 in principal overpayment to the Village for an overpayment made during 2006. This amount was added back into the principal outstanding.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OWDA Loan
2009	\$ 102,410
2010	102,410
2011	102,410
2012	102,410
2013	102,410
2014-2018	512,050
2019-2023	512,050
2024-2028	512,050
2029-2033	460,851
Total	\$ 2,509,051

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, OP&F participants contributed 10% of their wages. The Village contributes an amount equal to 19.5% of police participant wages. For 2008 and 2007, members of PERS contributed 10% (2008) and 9.5% (2007) of their gross salaries. The Village contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.



**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(CONTINUED)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member's needs.

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts which vary from Member to Member.

Plan Members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a Member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former Member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

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

	<u>2008</u>	<u>2007</u>
Assets	\$ 10,471,114	\$ 11,136,455
Liabilities	<u>5,286,781</u>	<u>4,273,553</u>
Members' Equity	<u>\$ 5,184,333</u>	<u>\$ 6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

***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***

September 16, 2010

Village of South Webster  
Scioto County  
P.O. Box 38  
South Webster, OH 45682

To the Members of Village Council:

We have audited the financial statements of the **Village of South Webster, Scioto County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 16, 2010, wherein we qualified our opinion because we are unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of the charges for services recorded in the Sewage Operations Fund, a Proprietary Fund Type. Also, we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Except as discussed above, 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2008-002 and 2008-004 through 2008-008 described in the accompanying schedule of findings to be material weaknesses.

### **Internal Control Over Financial Reporting (Continued)**

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2008-001, 2008-003, 2008-009, and 2008-010 described in the accompanying schedule of findings to be significant deficiencies.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 16, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C

VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

**Noncompliance Citation / Significant Deficiency**

**Ohio Rev. Code Sections 121.22 and 149.43** when read together, impose duty on the Council to maintain full and accurate record of their proceedings. No minutes were presented for audit for the meetings held in January, February, March, May, June, August, and October 2007 or for January, March, July, September, October, and November 2008.

The minutes presented were not signed by either the Mayor or the Fiscal Officer and were not maintained in a record book.

We recommend the Village Fiscal Officer promptly record the minutes of all meetings of the Village Council. We also recommend minutes be signed and approved in the subsequent meeting.

**Management's Response** – I was not told when I took over in August 2008 that minutes needed to be signed. They are approved by Council and I will begin having the official copy signed.

FINDING NUMBER 2008-002

**Noncompliance Citation / Material Weakness**

**Ohio Revised Code Section 145.47** provides, in part, “each public employee who is a contributor to the public employees retirement system shall contribute eight percent of the contributor’s earnable salary to the employees’ savings fund, except that the public employees retirement board may raise the contribution rate to a rate not greater than ten percent of the employee’s earnable salary.

The fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions. A penalty of five per cent of the total amount due for the particular reporting period shall be added when such report, together with warrants of checks to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period.”

During testing, we noted OPERS contacted the County Auditor to remit monies due the Village for delinquent employee and employer contributions from March and April of 2007 and April of 2008. The Village was required to pay penalties and interest to OPERS during the audit period due to the delayed remittance of pension withholdings. A key control in the payroll process is to assure payroll withholdings are withheld at the correct rates and submitted to the appropriate agencies timely. Failure to comply with the statute could result in additional late fees and penalties and may result in misstatement of the financial statements.

We recommend the Village establish procedures to comply with the established law and accurately remit retirement contributions. We also recommend the Fiscal Officer file the Report of Contributions no later than thirty days after the end of the reporting period to ensure that the Village does not incur a five percent penalty.

**Management's Response** – I took over in August 2008 and have worked with PERS to correct the problems. We are now current with payments and reporting.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-003**

**Noncompliance Citation / Significant Deficiency**

**26 Code of Federal Regulations Section 1.6041-2** provides that wages, as defined in 26 United States Code Section 340 should be reported on a Form W-2, or “all other payments of compensation” are to be reported on a form 1099. 26 United States 3402 states “...every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computation procedures prescribed by the Secretary of the Treasury”.

The Village could not provide evidence that they issued an IRS Form 1099 for independent contractor services rendered during 2007 for which the Village paid the contractors over \$600. In addition, the Village could not provide a W-3 for 2007 nor several W-2s for various officials for 2007.

The Village should issue a Form 1099 to all independent, unincorporated contractors to whom the Village pays \$600 or more in a given calendar year. The Village should also file and maintain all required tax documentation.

**Management’s Response** – All problems have been fixed and are now up-to-date in filing and copies on file.

**FINDING NUMBER 2008-004**

**Noncompliance Citation / Material Weakness**

**Posting Receipts and Expenditures**

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2008 and 2007, several receipts and expenditures were not posted to accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Expenditures were recorded for one amount in the system, but actually written for a different amount
- Intergovernmental revenue and sewer revenue were recorded twice
- Intergovernmental revenue was recorded as property tax in 2008 and 2007
- Revenues from a Chapter 13 bankruptcy trustee, Time Warner, and building rentals were deposited but not posted
- All state revenue was received in the Village’s bank accounts but was not recorded in the financial accounting system in 2008 and for the second half of 2007
- Checks voided in the system were redeemed by the bank, including an OWDA debt payment
- Interest revenues were not recorded in the financial accounting system
- EFTs were initiated and processed but not posted
- Bank fees were not recorded
- Revenue was recorded at net, not gross

Based on these errors, the Village was not reconciled at year-end 2008 or 2007.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-004 (Continued)**

**Noncompliance Citation / Material Weakness (Continued)**

These errors caused a significant number of adjusting entries and reclassifications for 2008 and 2007, which management has agreed to and recorded. The accompanying financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management review both revenue and disbursement items. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements. Management should review the bank reconciliations monthly to make sure all transactions are being recorded and no unexplained differences or long outstanding items exist.

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures. We also recommend the Fiscal Officer reconcile bank balances to the Village's book balance at the end of each month and provide this to Council to review and approve.

**Management's Response** – We have worked with State Auditors and have been reconciled through 2009. I am still working with them in reconciling 2010 as we go.

**FINDING NUMBER 2008-005**

**Material Weakness**

**Bank Reconciliations**

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Village to obtain from the Auditor of State's office detailed proofs of cash for each month and a reconstruction of the cash book for the entire audit period.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Village Council for the Council's review, approval, and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook.

**Management's Response** – I am working with State Auditors to accomplish this.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-006**

**Material Weakness**

**Internal Controls**

The Village did not have an adequate system of internal controls. Examples include:

- Several checks were written manually
- Checks were signed by only one signatory
- A check outstanding since 2005 and several outstanding since 2006 carried on the outstanding checks list
- Multiple voided checks maintained in the Village records and not marked void on their faces
- Several UAN receipt amounts and vendors did not correspond to the revenue ledger
- Multiple checks were numbered inaccurately in the UAN system

We recommend that the Village address each of the above noted control weaknesses. This will help Council effectively monitor the Village's financial position and will aid in the timely detection of errors or irregularities. In addition, Council should monitor the Village's legal compliance, financial condition, and controls over the safeguarding of assets. They should review the Village books, review the bank reconciliations and perform other such duties as are deemed to be necessary.

**Management's Response** – No checks are being handwritten since I took over. Only one signature on the checks has ever been done; however, there are three signatures on each PO. The State Auditor continues to have me carry over outstanding checks. Voided checks are now marked void. UAN receipt amounts and vendors now correspond to the revenue ledger. Checks are now numbered accurately in the UAN system.

**FINDING NUMBER 2008-007**

**Material Weakness**

**Billing Service Reconciliations**

The Village should establish a formal reconciliation for utility transactions being billed and collected by the outside service organization. There was no evidence presented for audit that any type of reconciliation was being performed to the billings and receipts reported by the service organization. Without a formal reconciliation process, the probability of detecting unrecorded receipts or uncollected revenues is reduced. Because a proper reconciliation was not performed, we were unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of the charges for service receipts. A formal reconciling procedure should be established that would check that all usage has been billed, that the billing rates are correct, and that proper collections are being made and turned over to the Village.

**Management's Response** – Noted.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-008**

**Material Weakness**

**Billing Service**

The Village has delegated utility billing processing and collecting, which is a significant accounting function, to a billing agency. The Village has not established procedures to reasonably determine that utility billings have been completely and accurately processed and collected in accordance with the utility billing contract.

The Village should implement procedures to reasonably assure the completeness, and accuracy of utility billing and collecting processed by their billing agency. Statement on Auditing Standards No. 70 (SAS 70) prescribes testing and reporting standards for audits of bill processing controls which should satisfy this requirement. As described in that Statement, we suggest that the Village obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from the billing agency. Such a report, if unqualified, would provide evidence to the Village's management that utility billing and collecting were being processed in conformance with the contract.

We also recommend that the Village specify in their contract with the third party administrator that an annual SAS 70 audit report be performed. The Village should be provided a copy of the report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

**Management's Response** – Noted.

**FINDING NUMBER 2008-009**

**Significant Deficiency**

**Complete Voucher Packages**

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

None of the Village's voucher packages contained the voucher. In addition, 14% of tested transactions in 2008 and 13% of tested transactions in 2007 did not include the invoices. It was determined through alternative testing procedures that these expenditures were allowable and for a proper public purpose. However, this practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials.



**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-009 (Continued)**

**Significant Deficiency (Continued)**

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Fiscal Officer's prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

**Management's Response** – Corrected.

**FINDING NUMBER 2008-010**

**Significant Deficiency**

**Advances**

In order to advance cash from one fund to another, Auditor of State Bulletin 97-003 suggests there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. In addition, advances must be approved by a formal resolution of the taxing authority of the subdivision which must include: (1) a specific statement that the transaction is an advance of cash, and, (2) an indication of the money (fund) from which it is expected that repayment will be made.

To alleviate short-term cash flow problems, the Village advanced cash between the Gazebo Fund and General Fund. The Village did not indicate any plans of prepayment. The noted advance was returned through an audit adjustment and is reflected in the accompanying financial statements.

We recommend that the Village follow the guidance outlined in Auditor of State Bulletin 97-003 to initiate an advance. The Council should approve all advances. In addition, if the Village's intent is to not repay the advance, the taxing authority should by Resolution turn the unpaid advance into a transfer if determined said transfer would be in compliance with Ohio Revised Code.

**Management's Response** – Noted.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code 5705.41(D) – Not properly encumbering	No	Partially; to management letter
2006-002	Ohio Revised Code 5705.36 – Requesting increased amended certificates	No	Not corrected; to management letter
2006-003	Ohio Revised Code 149.351(A) – Lack of supporting documentation	No	Combined into finding 2008-007
2006-004	Lack of bank reconciliations	No	Repeated as finding 2008-005
2006-005	Lack of billing service reconciliations	No	Repeated as finding 2008-007
2006-006	Lack of SAS 70 for the billing service	No	Repeated as finding 2008-008



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF SOUTH WEBSTER**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 30, 2010**