



**VILLAGE OF WAYNESBURG
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF WAYNESBURG
STARK COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Waynesburg
Stark County
P.O. Box 610
Waynesburg, Ohio 44688-0610

To the Village Council:

We have audited the accompanying financial statements of the Village of Waynesburg, Stark County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 audits.

Except as discussed below, we conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Due to the inadequacy of certain cemetery accounting records, we were unable to form an opinion regarding the amounts at which Special Revenue Fund Type, Charges for Services are recorded in the accompanying Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental Fund Types for the years ended December 31, 1999 and 1998 (stated at \$42,763 and \$33,157, respectively).

In our opinion, except for the effects of such adjustments, if any, as might have been necessary had we been able to examine evidence regarding Charges for Services receipts reported in the Special Revenue Fund Type, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully discussed in Note 2 in the financial statements, the balances for the General Fund and Agency Fund were restated as of January 1, 1998, to correct the overstatement and understatement of Mayor's Court activities reported in the General Fund and Agency Fund, respectively.

Village of Waynesburg
Stark County
Report of Independent Accountants
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2000, 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 grants.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 2, 2000

**VILLAGE OF WAYNESBURG
STARK COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$39,970	\$116,100	\$156,070
Intergovernmental	24,969	40,358	65,327
Charges for Services	0	42,763	42,763
Fines, Licenses, and Permits	15,514	183	15,697
Earnings on Investments	16,453	2,700	19,153
Miscellaneous	9,643	157	9,800
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	106,549	202,261	308,810
Cash Disbursements:			
Current:			
Security of Persons and Property	12,210	60,108	72,318
Public Health Services	1,782	19,563	21,345
Community Environment	231	0	231
Basic Utility Services	187	0	187
Transportation	0	23,008	23,008
General Government	72,662	0	72,662
Debt Service:			
Principal Payments	0	5,465	5,465
Interest Payments	0	10,242	10,242
Capital Outlay	0	2,065	2,065
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	87,072	120,451	207,523
Total Cash Receipts Over Cash Disbursements	19,477	81,810	101,287
Fund Cash Balances, January 1	175,939	251,907	427,846
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$195,416	\$333,717	\$529,133
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$3,587	\$4,695	\$8,282
	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF WAYNESBURG
STARK COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$182,204	\$0	\$182,204
Fines and Forfeitures	0	20,095	20,095
Total Operating Cash Receipts	<u>182,204</u>	<u>20,095</u>	<u>202,299</u>
Operating Cash Disbursements:			
Personal Services	22,689	0	22,689
Contractual Services	46,428	0	46,428
Supplies and Materials	28,902	0	28,902
Miscellaneous	0	19,735	19,735
Capital Outlay	1,418	0	1,418
Total Operating Cash Disbursements	<u>99,437</u>	<u>19,735</u>	<u>119,172</u>
Operating Income	<u>82,767</u>	<u>360</u>	<u>83,127</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	17,416	0	17,416
Interest Payments	33,109	0	33,109
Total Non-Operating Cash Disbursements	<u>50,525</u>	<u>0</u>	<u>50,525</u>
Excess of Cash Receipts Over Cash Disbursements	32,242	360	32,602
Fund Cash Balances, January 1	<u>105,664</u>	<u>560</u>	<u>106,224</u>
Fund Cash Balances, December 31	<u>\$137,906</u>	<u>\$920</u>	<u>\$138,826</u>
Reserves for Encumbrances, December 31	<u>\$3,501</u>	<u>\$0</u>	<u>\$3,501</u>

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

**VILLAGE OF WAYNESBURG
STARK COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$36,780	\$109,450	\$146,230
Intergovernmental	26,760	39,252	66,012
Charges for Services	0	33,157	33,157
Fines, Licenses, and Permits	18,121	319	18,440
Earnings on Investments	17,064	3,340	20,404
Miscellaneous	13,531	0	13,531
	<u>112,256</u>	<u>185,518</u>	<u>297,774</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	11,935	62,819	74,754
Public Health Services	1,856	18,887	20,743
Leisure Time Activities	858	0	858
Community Environment	603	0	603
Basic Utility Services	50	0	50
Transportation	0	36,769	36,769
General Government	93,960	0	93,960
Debt Service:			
Principal Payments	0	3,291	3,291
Interest Payments	0	317	317
Capital Outlay	0	165,008	165,008
	<u>109,262</u>	<u>287,091</u>	<u>396,353</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,994</u>	<u>(101,573)</u>	<u>(98,579)</u>
Other financing receipts:			
Proceeds of Notes	<u>0</u>	<u>145,010</u>	<u>145,010</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	2,994	43,437	46,431
Fund Cash Balances, January 1 (Restated, Note 2)	<u>172,945</u>	<u>208,470</u>	<u>381,415</u>
Fund Cash Balances, December 31	<u>\$175,939</u>	<u>\$251,907</u>	<u>\$427,846</u>
Reserves for Encumbrances, December 31	<u>\$2,769</u>	<u>\$2,637</u>	<u>\$5,406</u>

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

**VILLAGE OF WAYNESBURG
STARK COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$183,561	\$0	\$183,561
Fines and Forfeitures	0	23,595	23,595
Miscellaneous	342	0	342
	<u>183,903</u>	<u>23,595</u>	<u>207,498</u>
Total Operating Cash Receipts	<u>183,903</u>	<u>23,595</u>	<u>207,498</u>
Operating Cash Disbursements:			
Personal Services	24,198	0	24,198
Contractual Services	92,043	0	92,043
Supplies and Materials	29,637	0	29,637
Miscellaneous	0	23,215	23,215
Capital Outlay	1,396	0	1,396
	<u>147,274</u>	<u>23,215</u>	<u>170,489</u>
Total Operating Cash Disbursements	<u>147,274</u>	<u>23,215</u>	<u>170,489</u>
Operating income	<u>36,629</u>	<u>380</u>	<u>37,009</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	16,048	0	16,048
Interest Payments	34,476	0	34,476
	<u>50,524</u>	<u>0</u>	<u>50,524</u>
Total Non-Operating Cash Disbursements	<u>50,524</u>	<u>0</u>	<u>50,524</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	(13,895)	380	(13,515)
Fund Cash Balances, January 1 (Restated, Note 2)	<u>119,559</u>	<u>180</u>	<u>119,739</u>
Fund Cash Balances, December 31	<u>\$105,664</u>	<u>\$560</u>	<u>\$106,224</u>
Reserves for Encumbrances, December 31	<u>\$4,774</u>	<u>\$0</u>	<u>\$4,774</u>

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

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Waynesburg, Stark County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities, cemetery operations, and police services. The Village utilizes the Waynesburg Volunteer Fire Department to provide fire protection services.

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

The Village is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, *Reporting Entity*. These organizations are presented in Notes 10 through 12. These organizations include:

- Stark Council of Governments
- Stark County Regional Planning Commission
- Stark Quad Ambulance

B. Basis of Accounting

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

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

C. Cash and Investments

The Village held a U.S. Treasury Bill at December 31, 1999 and 1998, valued at cost. In addition, the Village invested in a repurchase agreement (overnight sweep) in both years.

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.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Road Levy Fund - This fund receives levy monies to maintain Village roads.

Cemetery Fund - This fund receives monies from the sale of cemetery lots and charges for burials which are used for the upkeep of the cemetery.

Fire Levy Fund - This fund receives levy monies for operating and maintaining the Village Volunteer Fire Department.

Police Levy Fund - This fund receives levy monies for operating and maintaining the Village Police Department.

3. Enterprise Funds

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

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

Water Debt Fund - This fund receives monies from a water utility surcharge to retire water debt.

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

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Agency Fund:

Mayor's Court Agency Fund - This fund receives fines and forfeitures from the Mayor's Court to be distributed to the Village, State of Ohio, and other local governments.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.

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 reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. CORRECTION OF ERRORS

Prior to 1998, the Village accounted for all Mayor's Court activity within the General Fund. These monies were collected from fines and forfeitures assessed by the Mayor's Court and are subsequently required to be paid into the Village or the State Treasury. Since the Mayor's Court acts in an agency capacity, these activities should be reflected within the Agency Fund Type. Reclassification of the Mayor's Court activities to an Agency Fund reduced annual cash receipts and disbursements in the General Fund by approximately \$22,000 each year. The effect of these changes on the fund balances are as follows:

	<u>General Fund</u>	<u>Agency Fund</u>
Fund Balance at January 1, 1998, as previously reported	\$173,125	\$0
Restatement for Mayor's Court activity	(180)	180
Fund Balance at January 1, 1998, Restated	<u>\$172,945</u>	<u>\$180</u>

3. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 6,187	\$ 37,889
U. S. Treasury Bill	28,773	32,270
Repurchase Agreement	<u>632,999</u>	<u>463,911</u>
Total investments	<u>661,772</u>	<u>496,181</u>
Total deposits and investments	<u>\$ 667,959</u>	<u>\$ 534,070</u>

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

Investments: U.S. Treasury Bills are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. The repurchase agreement is an overnight sweep account reported at cost.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1999 and 1998, follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 98,971	\$ 106,549	\$ 7,578
Special Revenue	156,475	202,261	45,786
Enterprise	180,904	182,204	1,300
Total	\$ 436,350	\$ 491,014	\$ 54,664

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 258,250	\$ 90,659	\$ 167,591
Special Revenue	183,788	125,146	58,642
Enterprise	225,150	153,463	71,687
Total	\$ 667,188	\$ 369,268	\$ 297,920

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 101,645	\$ 112,256	\$ 10,611
Special Revenue	153,557	330,528	176,971
Enterprise	157,500	183,903	26,403
Total	\$ 412,702	\$ 626,687	\$ 213,985

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 243,250	\$ 112,031	\$ 131,219
Special Revenue	197,400	289,728	(92,328)
Enterprise	240,585	202,572	38,013
Total	\$ 681,235	\$ 604,331	\$ 76,904

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705.36, the Village did not certify the 1999 and 1998 total amount from all sources available for expenditure from each fund to the County Auditor until February 2, 1999 and February 3, 1998, respectively.

Contrary to Ohio Revised Code Section 5705.36, 1998 appropriations exceeded estimated resources in the Department of Commerce Fund by \$10,000.

Contrary to Ohio Revised Code Section 5705.38, the Village did not adopt the 1998 Temporary Appropriation measure by the required date.

Contrary to Ohio Revised Code Section 5705.39, the Village increased the 1998 Department of Commerce Fund appropriations by \$10,000; however, the Village did not obtain the required amended Certificate of Estimated Resources from the County Auditor prior to this appropriation.

Contrary to Ohio Revised Code Section 5705.41 (B), 1998 object level expenditures exceeded appropriations at the legal level of control for certain funds. In addition, expenditures exceed appropriations for the period January 1, 1998 through March 16, 1998.

Contrary to Ohio Administrative Code Section 117-5-11 (B) and (C), the 1999 and 1998 Village's Expense Audit Trail Report did not maintain a declining unencumbered balance and expenditure transactions were not presented in chronological order.

Contrary to Ohio Administrative Code Section 117-5-12, the Village did not always record the fund and account code on each respective pay-in or voucher package in 1999 or 1998.

Contrary to Ohio Revised Code Section 5705.41 (D), 50% of expenditures in 1999 and 1998 were certified after the invoice date.

Contrary to Ohio Constitution, Article XII, Section 5a, the Village did not distribute interest to the Street Construction, Maintenance and Repair Fund, State Highway Improvement Fund or the Motor Vehicle License Tax Fund in 1999 or 1998.

Contrary to Ohio Revised Code Section 733.28, the Village did not keep accurate records or statements for the following in 1999 and 1998: Taxes, Intergovernmental Revenues, Debt, Non-Payroll Expenditures and the Annual Cash Workbook.

Contrary to Ohio Revised Code Section 135.14 and 133.03 (A) (1), the Village did not file the required investment policy with the Auditor of State in either 1999 or 1998.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. PROPERTY TAX

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

7. DEBT

Debt outstanding at December 31, 1999 was as follows:

<u>Year Acquired</u>		<u>Principal</u>	Interest Rate
1987	Ohio Water Development Authority - 0757	\$75,457	9.48%
1987	Ohio Water Development Authority - 0771	167,861	8.48%
1989	Ohio Water Development Authority - 0771S	126,837	8.07%
1998	Consumers National Bank	<u>141,191</u>	5.00%
		<u>\$511,346</u>	

The Ohio Water Development Authority (OWDA) loans relate to a water plant construction project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semi-annual installments as follows: \$5,397, including interest, over 24 years for loan 0757; \$11,416, including interest, over 24 years for number 0771; and \$8,450, including interest, over 22 years for loan number 0771S.

The Consumers National Bank loan was obtained for the purchase of a pumper truck. The note will be repaid in annual installments of \$13,970, including interest, over nine years with a payment of \$79,388, including interest, in the tenth year. The loan is collateralized by the Village's pooled deposits.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

7. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan - 0757	OWDA Loan - 0771	OWDA Loan - 0771S	Consumers National Bank Pumper Truck Loan
2000	\$ 10,794	\$ 22,832	\$ 16,900	\$ 13,970
2001	10,794	22,832	16,900	13,970
2002	10,794	22,832	16,900	13,970
2003	10,794	22,832	16,900	13,970
2004	10,794	22,832	16,900	13,970
Subsequent	<u>75,555</u>	<u>160,812</u>	<u>118,299</u>	<u>121,592</u>
Total	<u>\$ 129,525</u>	<u>\$ 274,972</u>	<u>\$ 202,799</u>	<u>\$ 191,442</u>

8. RETIREMENT SYSTEMS

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Commercial Auto Coverage
- Commercial Inland Marine
- General Liability
- Commercial Property Coverage
- Public Officials' Liability
- Police Professional Liability

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

10. STARK COUNCIL OF GOVERNMENTS

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. Currently, SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab. SCOG is governed by its membership, including Stark County, and other cities, villages, and townships. The membership elects a nine member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of the agency is not dependent on the Village's continued participation nor does the Village have an equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Village. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

11. STARK COUNTY REGIONAL PLANNING COMMISSION

The Village participates in the Stark County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, and other cities, villages, and townships. The principle aim of the Commission is to provide comprehensive planning, both long and short term, dealing with the economic and physical environment of Stark County. The board exercised total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Village has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

12. STARK QUAD AMBULANCE

Stark-Quad Ambulance District (the District) is a body corporate and politic established for the purpose of providing public emergency ambulance services for the residents of the Stark-Quad Ambulance District which includes the Village of Magnolia, Village of Waynesburg, Sandy Township and Rose Township. The District is directed by a Board of Trustees consisting of four members. One Board Member is appointed by each political subdivision within the District. The District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Village.

13. SUBSEQUENT EVENT

On March 15, 2000, Village Council approved Ordinance No. 5-342-2000 to purchase a water department truck. The related loan will be financed through Consumers Bank at a cost of \$2,192 per year for 5 years at a rate of 5.25%.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Village of Waynesburg
Stark County
P.O. Box 610
Waynesburg, Ohio 44688-0610

To the Village Council:

We have audited the accompanying financial statements of the Village of Waynesburg, Stark County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated November 2, 2000. Our report was qualified for a scope limitation regarding Charges for Services receipts reported in the Special Revenue Fund Type, and it also included an emphasis of matter related to correction of errors in the General and Agency Fund Types. Except for our procedures related to Charges for Services receipts, we conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-31276-001 through 1999-31276-014.

We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 2, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-31276-015 through 1999-31276-022.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-31276-015 through 1999-31276-019 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 2, 2000.

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

Jim Petro
Auditor of State

November 2, 2000

**VILLAGE OF WAYNESBURG
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-31276-001

Noncompliance Citations

Ohio Revised Code Section 5739.03 (B) states that prior to the provision of the service or the delivery of possession of the thing sold to the consumer, sales tax shall be charged, collected and subsequently remitted to the State of Ohio Department of Taxation. **Ohio Revised Code Section 5739.02 (B)(1)** states in part that sales tax does not apply to sales to the state or any of its political subdivisions. **Ohio Revised Code Section 102.03(D)** states “[n]o public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person’s duties”.

A Village Council member utilized the Village’s tax-exempt status to purchase personal items. This use of the Village’s tax-exempt status may violate the above listed provisions of Ohio law. The following is a list of those purchased assets and the amount of sales tax not paid and inappropriate government discounts received:

Purchase Date	Vendor	Asset	Purchase Price	Sales Tax Not Paid	Government Discount
9-27-96	Biar’s Inc.	2 Toro Mowers	\$5,014.48	\$395.88	\$1,583.52
6-19-98	Doc’s Lawn & Garden	Toro Kohler Electric, Toro Cutting Unit and Jungle Jim Stand-up Sulky	3,411.00	267.06	1,035.86
10-16-98	Biar’s Inc.	Toro Bagging Kit	300.00	18.00	35.00
11-16-98	Biar’s Inc.	Gator Blades	14.88	.89	0.00
1-29-99	Biar’s Inc.	Carburetor Repair Kit	<u>6.60</u>	<u>.40</u>	<u>0.00</u>
Total:			<u>\$8,746.96</u>	<u>\$682.23</u>	<u>\$2,654.38</u>

Village Council and other Village employees should not utilize the Village’s tax-exempt status to purchase personal assets. The failure of Village Council or other Village employees to properly pay sales tax may subject those persons to penalties and charges. We recommend the Village monitor the use of the Village’s tax-exempt status and ensure that it is limited to only Village purchases.

This issue has been referred to the State of Ohio Department of Taxation and the Ohio Ethics Commission for whatever action they deem necessary.

FINDING NUMBER 1999-31276-002

Ohio Revised Code Section 9.39 states all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

On February 23, 1999, the Village of Waynesburg Police Department deposited \$100 from the Auditor of State for payment of immobilization fees into the Waynesburg Police Patrolman Association bank account; however, this bank account is not a depository of the Village of Waynesburg. In addition, the Village of Waynesburg Police Department collected and subsequently deposited accident report fees into the Waynesburg Police Patrolman Association bank account. The following table documents the accident report fees collected and deposited into that bank account:

1998		
Receipt Number	Receipt Date	Receipt Amount
No. 5104	N/A	\$3.00
1999		
No. 5109	11-4-99	\$3.00
2000		
No. 5113	2-7-00	\$3.00
No. 5117	3-7-00	\$3.00
No. 5129	5-24-00	\$3.00
No. 5130	5-25-00	\$1.00

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery of public monies, which have been converted or misappropriated, is hereby issued against Brian Haslam, Chief of Police, in the amount of \$116, and in favor of the Village of Waynesburg's General Fund.

FINDING NUMBER 1999-31276-003

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources available for expenditure from each fund in the Tax Budget along with any unencumbered balances that existed at the end of the preceding year.

During 1999 and 1998, the Clerk/Treasurer did not certify the total amount from all sources available for expenditure from each fund to the County Auditor until February 2, 1999 and February 3, 1998, respectively. The Clerk/Treasurer should certify the total amount from all sources available for expenditure from each fund to the County Auditor on or about the first day of the fiscal year.

FINDING NUMBER 1999-31276-004

Ohio Revised Code Section 5705.36 states the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the Certificate of Estimated Resources or the Amended Certificate of Estimated Resources which was certified prior to making the appropriation or supplemental appropriation.

The Clerk/Treasurer obtained an Amended Certificate of Estimated Resources for the Department of Commerce Fund on June 10, 1998, subsequent to the corresponding appropriation modification on June 1, 1998, totaling \$10,000. As a result, appropriations exceeded estimated resources by \$10,000. Prior to an appropriation amendment, the Clerk/Treasurer should request an appropriate estimated resources modification from the County Auditor to ensure appropriations do not exceed estimated resources.

FINDING NUMBER 1999-31276-005

Ohio Revised Code Section 5705.38 states on or about the first day of each fiscal year, an Annual Appropriation Measure is to be passed. If the taxing authority wants to postpone the passage of the Annual Appropriation Measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a Temporary Appropriation Measure for meeting the ordinary expenses until April 1.

While Village Council adopted the Annual Appropriation Measure on March 16, 1998, evidence that Village Council adopted a Temporary Appropriation Measure did not exist. As a result, expenditures incurred for the period of January 1, 1998 through March 15, 1998 were made in excess of legally adopted appropriations. If Village Council elects not to adopt an Annual Appropriation Measure on or about the first day of the fiscal year, Village Council must adopt a Temporary Appropriation Measure as evidenced in the minute records to ensure adequate appropriations are available for expenditures incurred during the first two or three months of the fiscal year.

FINDING NUMBER 1999-31276-006

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure as certified by the County Budget Commission. No Appropriation Measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed estimated resources.

During 1998, the Village Clerk increased the Department of Commerce Fund appropriations by \$10,000; however, the Village Clerk did not obtain the required amended Certificate of Estimated Resources from the County Auditor prior to this appropriation. During 1999, the Village received loan proceeds and a Department of Commerce grant totaling \$145,010 and \$10,000, respectively; however, a subsequent amended Certificate of Estimated Resources was not obtained by the Village Clerk, nor was Village Council approval to increase appropriations for each respective fund executed. As result, appropriations exceed estimated resources and actual expenditures exceeded appropriations for each respective fund. The Village Clerk should request an amended Certificate of Estimated Resources upon the receipt of unanticipated monies and increase appropriations accordingly. Also, the Village Clerk should obtain the required certification from the County Auditor.

FINDING NUMBER 1999-31276-007

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been has been appropriated. Village expenditures exceeded appropriations at their legal level of control in the following instances:

At December 31, 1998, object level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

Fund - Object	Appropriations	Actual Expenditures	Variance
Fire Fund - Loan Proceeds	\$0	\$143,728	\$143,728
Department of Commerce Fund - Capital Outlay	0	10,000	10,000

In addition, even though an ordinance existed for the 1998 Temporary Appropriations, evidence of Village Council's approval did not exist in the minute records. As a result, expenditures exceeded appropriations for the period January 1, 1998 through March 16, 1998, at which time Village Council adopted the Permanent Annual Appropriation Measure.

The Clerk should frequently compare actual expenditures plus encumbrances to appropriations at the legal level of budgetary control to avoid potential overspending. Village Council should approve all appropriation amendments at the legal level of budgetary control as evidenced in the minutes.

FINDING NUMBER 1999-31276-008

Ohio Administrative Code Section 117-5-11 (B) and (C) states that each Village shall post to each appropriation account an amount equal to the amount appropriated for that account in the Annual Appropriation Measure. Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. The following were noted:

- During 1998, appropriations for the Department of Commerce Fund were posted to the Village's accounting system on May 14, 1998; however, these appropriations were not approved by Village Council until June 1, 1998. As a result, expenditures could have been made in excess of legally adopted appropriations.
- The Village's Expense Audit Trail Report, which serves as the appropriation account ledger, does not maintain a declining unencumbered balance. Therefore, the Village Clerk does not have the ability to monitor monies available in each expenditure line-item prior to certification of a purchase order. As a result, the Village Clerk could significantly overspend the respective fund without being detected timely.
- Within the Expense Audit Trail Report, expenditure transactions are not presented in chronological order.

The Village Clerk should obtain Village Council approval of appropriation modifications prior to entering the appropriations into the computer system. Additionally, the Village should consult with Support Specialists, the Village's accounting software vendor, to determine the proper procedures for entering transactions, sorting financial data, and printing reports.

FINDING NUMBER 1999-31276-009

Ohio Administrative Code Section 117-5-12 states that when money is received by a Village, a pay-in order shall be executed. The date, amount received, payor, and other required information shall be entered in the spaces provided. The pay-in shall be made in duplicate with the original given to the person making payment. The duplicate copy shall remain in the binding and be used as a posting source for the cash journal as provided for in Ohio Administrative Code Section 117-5-09. Pay-in orders shall be numbered consecutively. Ohio Administrative Code Section 117-5-14(B) states that vouchers shall include the date, purchase order number, amount, and other required information shall be entered in the space or column on the form.

During 1999 and 1998, the Village Clerk did not record the fund and account codes on each respective pay-in or voucher for approximately 95% of pay-ins and vouchers prepared for those years. Also, the Village Clerk did not utilize a pay-in for approximately 14% of monthly interest earnings. Lack of fund and account code documentation on pay-ins and vouchers could result in receipts and expenditures being posted to an improper receipt or expenditure fund and account code. Thus, the Village's financial statements could be improperly stated. The Village Clerk should record the fund and account code on all pay-ins and vouchers to ensure the receipt or expenditure is recorded in an appropriate fund and account code. This will help reduce the risk of materially misstating the financial statements.

FINDING NUMBER 1999-31276-010

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the 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.

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

Then and Now Certificate: If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum, was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

Amounts less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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.

During 1999 and 1998, 50% of expenditures tested were certified after the invoice date(s). Also, neither of the two exceptions were utilized. We recommend the Clerk inform all Village employees of the requirements of Ohio Revised Code Section 5705.41(D). The Village should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Revised Code Section 5705.41. However, such certifications should only be used for reoccurring and reasonably predictable matters or emergency matters which may arise from time to time.

FINDING NUMBER 1999-31276-011

Ohio Constitution, Article XII, Section 5a states that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Village Clerk made investments of pooled cash from various funds, including the Street Construction, Maintenance and Repair Fund, State Highway Improvement Fund, and Motor Vehicle License Fund and did not distribute the interest earned in accordance with the above requirements. The Village Clerk should have allocated the following amounts:

<u>Funds Entitled to Interest</u>	<u>1999</u>	<u>1998</u>	<u>Total</u>
Street Construction, Maintenance and Repair Fund	\$2,200	\$2,840	\$5,040
State Highway Improvement Fund	400	400	800
Motor Vehicle License Tax Fund	<u>100</u>	<u>100</u>	<u>200</u>
Total:	<u>\$2,700</u>	<u>\$3,340</u>	<u>\$6,040</u>

As a result, revenues were overstated in the General Fund and understated in the Street Construction Maintenance and Repair Fund, State Highway Improvement Fund and Motor Vehicle License Fund. The Village Clerk should apportion interest earnings to these funds based on a reasonable determination of its share of the investment pool.

Interest entitled to each fund has been subsequently adjusted on the financial statements.

FINDING NUMBER 1999-31276-012

Ohio Revised Code Section 731.20 requires ordinances, resolutions and bylaws be authenticated by the signature of the presiding officer of the legislative authority and the Village Clerk of the municipal corporation. As soon as a bylaw, resolution or ordinance is passed and signed, it shall be recorded by the Village Clerk in a book furnished by the legislative authority for that purpose.

The following were noted during testing of Village ordinances and resolutions:

- Certain ordinances were signed only by the Mayor and Village Clerk
- Village ordinances were not maintained in numerical sequence in a bound ordinance book
- In certain instances, the minutes referenced to an ordinance number that did not always correspond to the actual ordinance
- While Village minute records documented most Village resolutions, these resolutions were consistently documented in an abbreviated, vague manner. Also, Village resolutions were not maintained in numerical sequence in a bound resolution book

Inadequate documentation of Village Council ordinances and resolutions could result in instances of non-compliance with the Ohio Revised Code or the Village's own ordinances and resolutions.

At a minimum, Village ordinances and resolutions should be signed by the Village Clerk and Village Council President. Village Council should ensure ordinances and resolutions contain appropriate subject titles and are referenced appropriately in the minute book. Village Council should maintain ordinances and resolutions in a bound book. This will help maintain order and accountability of Village ordinances and resolutions as well as reduce the risk of non-compliance with the Ohio Revised Code, Village ordinance or resolution.

FINDING NUMBER 1999-31276-013

Ohio Revised Code Section 733.28 states that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, document all the property owned by the Village and the income derived therefrom, and document all taxes and assessments.

During 1999 and 1998, prior to adjustment, the following inaccuracies were noted:

Taxes

- The Village Clerk recorded the October 1999 and June 1998 personal property tax receipts received from the County Auditor net of applicable expenditure deductions rather than at the gross amount. As a result, local tax receipts and expenditures were initially understated by \$346 and \$134, respectively
- The Village Clerk recorded the June 1999 and October 1998 personal property tax and the September 1999 real estate tax expenditure deductions as negative receipts rather than as expenditures. As a result, local tax receipts and expenditures were initially understated by \$2,051 and \$203 in 1999 and 1998, respectively
- The Village Clerk recorded the August 1998 real estate receipts and the October 1999 and October 1998 personal property tax receipts as negative credit amounts in the appropriation ledger. As a result, local tax receipts and expenditures were understated
- The Village Clerk recorded February 1999 and February 1998 real estate tax expenditure deductions as negative expenditures. As a result, expenditures were initially understated by \$3,733 and \$4,060 in 1999 and 1998, respectively.

FINDING NUMBER 1999-31276-013 (Continued)

Intergovernmental Revenues

- The Village Clerk recorded Revenue Assistance and Local Government Distribution receipts either net of Stark Council of Government deductions or gross with the deductions reflected as negative receipts. As a result, intergovernmental receipts and expenditures were understated resulting in adjustments of \$2,153 and \$2,393 in 1999 and 1998, respectively
- The Village Clerk did not record the November 1999 Revenue Assistance and Local Government Distributions totaling \$1,843 until January 2000. As a result, intergovernmental receipts were understated at December 31, 1999
- The Village Clerk recorded the April 1999 Local Government Distribution and the Stark Council of Government deductions in the Receipts Ledger as a negative expenditure. As a result, intergovernmental receipts and expenditures were understated by \$155
- During 1998, the Village Clerk recorded one Motor Vehicle, one Gasoline Tax, and two Gasoline Cents per Gallon distribution receipts totaling \$673, \$511, \$1,051 and \$993, respectively, to the proper funds; however, an incorrect receipt line item was utilized. During 1999, the Clerk/Treasurer recorded five Gasoline Cents per Gallon distributions totaling \$5,182 to the proper fund; however, an incorrect receipt line-item was utilized. As a result, certain receipt line items were overstated and understated
- During 1998, the Village Clerk recorded two separate Gasoline Cents per Gallon distribution receipts twice. As a result, intergovernmental receipts were overstated by \$1,942.

Debt Activity

- During 1998, the Village Clerk did not record loan proceeds or the subsequent disbursement for a fire truck totaling \$145,010 and \$141,392, respectively. As a result, receipts and expenditures were initially understated in the Fire Fund.
- During 1999 and 1998, the Village Clerk recorded Ohio Water Development Authority Loan principal and interest payments totaling \$15,707 and \$3,608, respectively, in the Water Fund as capital outlay rather than as a debt service principal and interest payment. As a result, capital outlay and debt service principal and interest payments were initially overstated and understated, respectively.

Non Payroll Expenditures

- Checks are signed only by the Village Clerk. As a result, the risk of misappropriated funds is increased
- During 1999 and 1998, approximately 5% of expenditures disclosed instances where the expenditure amount recorded on the voucher package did not reconcile to the cancelled check or accompanying invoice(s).
- Non-routine expenditure transactions (e.g., 100% of bank fees and tax settlement deductions) were not always properly recorded. As a result, expenditures are understated
- One instance was noted where the Village Clerk provided a signed, blank check to an individual who subsequently completed the date and check amount. As a result, the risk of misappropriated funds was increased.

Financial Statements

- The Village's 1999 and 1998 Annual Cash Workbook filed with the Auditor of State was not always supported by the Village's receipt/appropriation ledgers. Consequently, certain receipt and expenditure line items were found to be over/understated in amounts ranging between \$50 to \$97,000. As a result, the Village's 1999 and 1998 Annual Cash Workbooks did not accurately reflect each year's receipt/disbursement activity and fund balances.

FINDING NUMBER 1999-31276-013 (Continued)

The Village Clerk should perform the following:

- Record local tax and intergovernmental revenues at gross
- Record a corresponding disbursement for each respective expenditure deduction
- Record all loan proceeds and subsequent principal and interest payments
- Checks should be signed by the Village Clerk and at least one member of Village Council
- Reconcile the voucher package to supporting documentation
- Reconcile the receipt/appropriation ledgers to the Annual Cash Workbook

This will help ensure the Village's financial statements are accurately presented.

FINDING NUMBER 1999-31276-014

Ohio Revised Code Sections 135.14 and 133.03 (A)(1) states an investment policy must be approved by the Village Clerk or governing board. In addition, the investment policy must be signed by the following:

- All entities conducting investment business with the Village Clerk or governing board
- All brokers, dealers and financial institutions, described in Ohio Revised Code Section 135.14 (M) (1), initiating transactions with the treasurer or governing board by giving advice or making investment recommendations
- All brokers, dealers and financial institutions described in Ohio Revised Code Section 135.14 (M) (1), executing transactions initiated by the treasurer or governing board.

If a written investment policy is not filed with the Auditor of State, the Village Clerk or governing board is permitted to invest only in interim deposits, STAR Ohio or no-load money market mutual funds. Also, a subdivision whose average annual portfolio of investments is \$100,000 or less is not required to file an investment policy, provided that the Village Clerk or governing board certifies to the Auditor of State that the Village Clerk or governing board will comply and is in compliance with the provisions of Section 135.01 to 135.21.

During 1999 and 1998, 99% and 93% of the Village's cash balances, respectively, were invested in an overnight sweep account and a United States Treasury Bill, which, when combined, exceeded the \$100,000 threshold; however, the required investment policy was not filed with the Auditor of State. The Village should have those financial institutions that conduct investment business with the Village Clerk or governing board sign and date the investment policy. Once properly signed and dated, the Village should file a signed copy of the investment policy with the Auditor of State.

FINDING NUMBER 1999-31276-015

Material Weaknesses Cemetery Receipts

The following weaknesses were noted during testing of cemetery receipts:

- Cemetery deeds are not pre-numbered, maintained in numerical sequence nor secured in a cemetery deed book. As a result, a lack of accountability exists relative to the number of cemetery lots sold and subsequently recorded on the Village's financial statements
- Cemetery deeds are not always prepared timely. For example, a certain cemetery deed was dated April 20, 1998 and notarized on May 15, 1998; however, cash for the sale of the cemetery lot was received December 12, 1997, approximately 5 months earlier. As a result, the lack of timely completion of a cemetery lot sale transaction significantly increases the risk of misappropriation
- In one instance, the name on the cemetery deed did not coincide with the name of the purchaser. As a result, the cemetery lot sale could not be verified as being recorded on the Village's receipt ledger
- During 1999 and 1998, cemetery lot fees authorized by Village Council did not agree with the cemetery lot fees charged by the cemetery sexton. As a result, cemetery lot fees charged were not made in accordance with Village legislation. In addition, cemetery lot fees charged and subsequently collected were overstated when compared to the authorized cemetery lot fees.
- The cemetery sexton did not maintain a cash book throughout the audit period. As a result, a lack of accountability exists relative to the number of cemetery lots sold and subsequently recorded on the Village's financial statements
- The cemetery sexton did not utilize duplicate, pre-numbered receipts for individual cemetery lot sales. As a result, the lack of duplicate, pre-numbered receipts significantly increases the risk of misappropriation
- Evidence does not exist to indicate the cemetery sexton deposits cemetery lot sales with the Village Clerk timely, nor is a pay-in issued to the cemetery sexton at the time the money is exchanged as evidence to support the amount deposited with the Village Clerk is accurate
- The Cemetery Board does not maintain minute records. As a result, formal documentation does not exist to support actions taken by the Cemetery Board.

FINDING NUMBER 1999-31276-015 (Continued)

We recommend the following:

- Cemetery deeds should be pre-numbered, maintained in numerical sequence and secured in a cemetery deed book. This will help increase accountability over the number of cemetery lots sold
- Cemetery deeds should be prepared timely. This will help reduce the risk of misappropriation of cemetery lot sale receipts
- The name documented on the cemetery deed should coincide with the name documented on the Village's receipt ledger. This will help ensure individual cemetery lot sales can be verified as being recorded on the Village's receipt ledger
- The Cemetery Board should adopt an updated cemetery lot fee schedule to reflect the accurate fees. In addition, the Cemetery Board should indicate the updated cemetery lot fee schedule is retroactive to the period beginning January 1, 1998. This will ensure the correct cemetery lot fees are charged. (On November 6, 2000, Village Council adopted Ordinance No. 11-355-2000 to update the cemetery lot fee schedule retroactive to January 1, 1998).
- The cemetery sexton should maintain a cash book which documents the cemetery deed number, purchaser, date purchased, duplicate receipt number, amount of money collected and any other pertinent information deemed necessary. This will help increase accountability for the number of cemetery lots sold and subsequently recorded on the Village's financial statements
- The cemetery sexton should utilize duplicate, pre-numbered receipts. Utilization of duplicate, pre-numbered receipts will reduce the risk of misappropriation of cemetery lot sale receipts
- The cemetery sexton should properly safeguard receipts and Village Council should implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amount of daily receipts exceed \$1,000. If daily receipts do not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. However, this alternative time period shall not exceed three business days following the day of receipt. Additionally, the policy must include procedures to safeguard the moneys until the time of deposit. In addition, when the cemetery sexton deposits the monies with the Clerk/Treasurer, a pay-in should be issued to the cemetery sexton at that time and the monies deposited counted for accuracy. This will reduce the risk of misappropriation of cemetery lot sale receipts
- The Cemetery Board should maintain minute records and meet at least monthly. Minute records will document actions taken by the Cemetery Board, including evidence that all cemetery deeds prepared for each respective cemetery lot sale for that month have been appropriately authorized.

FINDING NUMBER 1999-31276-016

Monthly Cash Reconciliations

As noted in the prior audit, there continues to be problems in the accuracy and completeness of the Village Clerk's monthly bank and investment reconciliations. Although the Village Clerk attempted to reconcile approximately the first four months of 1998, those reconciliations were incomplete and inaccurate. The Village Clerk discontinued the monthly bank and investment reconciliations for the remainder of 1998 and all of 1999. In addition, the following monthly bank and investment reconciliation weaknesses were noted:

- The Village Clerk did not utilize the correct depository or investment balances for the first four months of 1998. For example, the Village Clerk did not include the United States Treasury Bill totaling approximately \$32,200
- The monthly outstanding checklists were determined to be both understated and overstated by as much as \$27,000
- The Village Clerk's monthly bank statements, investment confirmations, outstanding checklists, etc. were not maintained in an orderly manner
- The Village Clerk did not include in the monthly bank and investment reconciliations all applicable reconciling items (e.g., earned interest not posted, deposits in transit, NSF checks, etc.)
- The Village Clerk did not maintain adequate documentation to support the resolution of NSF and voided checks. For example, during the first half of 1998 the Village Clerk documented the resolution of NSF checks on each respective month's bank statement; however, for the remainder of 1998 and all of 1999 this documentation was not evident
- The Village Clerk inaccurately recorded interest earned on the United States Treasury Bill. For example, the Village Clerk recorded as interest the difference between the investment maturity balance and the purchase price of the subsequent investment, rather than the difference between the matured investment balance and the original purchase price
- The Village Clerk does not prepare a pay-in or record daily receipts to the computer system until the subsequent month. In addition, the date recorded on the pay-in did not always coincide with the deposit or posting date on the computer system
- As a result of the Village Clerk not closing a month's financial activity timely, the Village Clerk is forced to prepare numerous manual checks until the previous month's financial activity has been closed. Consequently, the manual check dates do not always coincide with the date of the computerized transaction
- The Village Clerk has the ability to alter prior months' receipt and disbursement activity. The amounts appearing as month-to-date totals for both receipts and disbursements could fluctuate based on the date the reports are printed. For example, the July 1998 Monthly Statement of Cash Position Report was run on August 10, 1998; however, the Village Clerk made subsequent corrections on August 11, 1998. Consequently, the corrections were not reflected in the July 1998 Monthly Statement of Cash Position Report due to the timing of the report dates. As a result of this ability to change prior months' activity, monthly receipts and disbursements can be modified and not detected in a timely manner
- As of December 31, 1999, an unreconciled difference of \$18,890 existed between the Village Clerk's records and the bank balances.

Due to the failure to accurately and completely reconcile the Village's cash and investment balances, the above items expose the Village to the risk of loss.

FINDING NUMBER 1999-31276-016 (Continued)

The Village Clerk should perform the following:

- Utilize the correct depository and investment balances
- Compare the current month's outstanding checklist to the previous month's for errors and omissions
- Maintain the monthly bank and investment reconciliation and supporting documentation in an orderly manner
- Ensure all applicable reconciling items (e.g., earned interest not posted, deposits in transit, NSF checks, etc.) are incorporated into that month's bank and investment reconciliation
- Maintain an adequate audit trail for the disposition of NSF and voided checks
- Utilize the difference between the matured investment balance and the original purchase price to record investment interest
- Prepare a pay-in and record the receipt of monies to the computer system timely. In addition, ensure expenditure activity is recorded timely to minimize the use of manual checks
- The Village Clerk should include corrections of errors in the current month rather than attempting to correct prior months' receipt/disbursement activity.

This will help ensure Village receipt and expenditure activity is properly accounted for, that all reconciling items are properly supported, as well as minimize the risk of loss.

FINDING NUMBER 1999-31276-017

Utility Receipts

For 71% and 66% of utility receipt dates tested during 1999 and 1998, respectively, the Utility Billing Journal total reconciled to the daily deposit slip; however, the Utility Billing Journal total did not always reconcile to the corresponding billing stubs in total. In addition, the Utility Billing Journal documented the method of payment for each utility customer account (e.g., cash or check); however, the total cash and check amount received documented on the Utility Billing Journal did not correspond to the cash and check totals reflected on the daily deposit slip. Also, the Village Clerk does not document the individual check amounts on the daily deposit slip. As a result, utility receipts could be misappropriated, and there is a lack of evidence to support the amounts collected are deposited in tact.

The Village Clerk should reconcile the Utility Billing Journal to the billing stubs and initial and date the Utility Billing Journal as evidence this reconciliation was performed. The Village Clerk should ensure the cash and check totals documented on the Utility Billing Journal correspond to the cash and check totals on the daily deposit slips. If differences exist between the Utility Billing Journal and the billing stubs, the Village Clerk should document on the billing stub the amount collected and the reason why the bill was adjusted. Finally, the daily deposit slip should indicate each individual check number, amount and payee to assist in the validity of the amounts recorded on the Utility Billing Journal and billing stub. This will help reduce the risk of misappropriation of utility receipts as well as provide evidence to support the amounts collected are deposited in tact.

FINDING NUMBER 1999-31276-018

Village Council Reviews and Approvals

Village Council does not receive pertinent financial reports for review and subsequent approval. This could result in Village Council not having the ability to assess the Village's current and long-term financial position.

At a minimum, the following financial reports should be provided to Village Council for review and approval which should be documented within the minute records:

- Receipts Journal
- Budget Status reports for expenditures and revenues
- Monthly Bank Reconciliations and supporting information
- Cash Journal
- Check Report
- Payroll information such as the payroll record and time sheets.

This will help ensure Village Council is provided the necessary financial reports in order to make sound financial decisions.

FINDING NUMBER 1999-31276-019

Computer Environment

During review of the Village's computer environment, the following weaknesses were noted:

- The Village Clerk has the ability to manipulate the month and date in which individual receipt/expenditure transactions will be reflected. As a result, monthly receipt totals varied for the same month, the monthly reconciliation process would be difficult and the risk that funds could be misappropriated is increased
- The Village has not prepared and adopted a formal computer security policy. As a result, the risk that standing computer data could be altered is increased.
- The Village Clerk does not utilize passwords for the financial accounting and utility programs. As a result, this increases the likelihood of unauthorized entry into either the system or certain application levels.

We recommend the following:

- The Village Clerk should record receipt/expenditure corrections in the current month. This will help ensure accurate receipt and expenditure activity is reflected during the reconciliation process as well as minimize the risk that more than one report with different receipt/expenditure totals exists for the same month
- Village Council should prepared and adopt a formal computer security policy as evidenced in the minute records. This will help reduce the risk of the alteration of standing computer data
- The Village Clerk should utilize passwords for the financial accounting and utility programs. The will help reduce the likelihood of unauthorized entry into either the system or certain application levels.

FINDING NUMBER 1999-31276-020

**REPORTABLE CONDITIONS:
Policies and Procedures Manual**

Village Council has not adopted a formal policies and procedures manual, which would include items such as a Village organizational chart, written job descriptions for all Village employees, accounting procedures narratives (receipts/expenditures), related party policies, etc. The lack of a formal policy and procedures manual creates an undefined system of accounting and reporting which could lead to a lack of segregation of duties and errors not being detected in a timely manner.

Village Council should establish and adopt an all-inclusive policies and procedures manual. This will help ensure a defined system of accounting and reporting, as well as evidence of written job descriptions which provide adequate segregation of duties and outline job responsibilities for all Village employees.

FINDING NUMBER 1999-31276-021

Payroll Expenditures

During 1999 and 1998, the following weaknesses were noted during testing of payroll expenditures:

- For all employees tested, at least one pertinent payroll document (i.e., hiring ordinance or authorization, Form W-4 Federal Withholding, etc.) could not be located in each respective employee's file. Additionally, the personnel file for one employee could not be located and no personnel files are maintained for the Mayor, members of Council or members of the Board of Public Affairs. Consequently, a complete record of each employee's history is not maintained. This could ultimately result in inaccurate employee deductions, compensation, etc
- Village practice dictates that individual ordinances will be approved as hiring authorization for each employee. Despite this, for one employee, no ordinance exists. This could result in inaccurate employee compensation
- The Village ordinance to set the compensation for the members of the Board of Public Affairs (BPA) states that members shall receive \$20.00 per meeting for both regular and special sessions. However, the BPA President was paid an additional \$2.50 per meeting which is not addressed in the ordinance. Additionally, all BPA members were paid for their attendance at a special Village Council meeting which was not documented in the BPA minutes. As a result, certain BPA members may be overcompensated.

FINDING NUMBER 1999-31276-021 (Continued)

Payroll Expenditures (Continued)

We recommend the following:

- The Clerk/Treasurer should maintain personnel files for each employee and elected official. The Village should ensure that each personnel file contains, but is not limited to, hiring authorization, employment dates, changes of position/salary, retirement system participation forms, Federal and State withholding forms. This will help ensure each employee's personnel file contains complete and accurate information to help minimize the risk of inaccurate deductions or compensation.
- Under the existing practice, Village Council should ensure that an ordinance is passed for each employee. Conversely, the Village may choose to annually adopt a single ordinance listing the positions of all employees, number of employees authorized to hold each position and rate of compensation to be paid for each position. This would eliminate the necessity of creating an ordinance for each respective employee. Under this practice, the hiring of individuals for any position would require Village Council approval as documented in the minutes.
- Village Council should clarify the respective payroll ordinances' requirements relative to additional compensation.

FINDING NUMBER 1999-31276-022

Sick and Vacation Leave

Village Council has not adopted a formal sick and vacation leave policy. Also, the Village Clerk did not maintain documentation of vacation and sick leave beginning and ending balances, accruals and usages. As a result, leave accruals and usage may not be applied equitably to all Village employees. In addition, upon retirement or termination of employment, a Village employee could be compensated for unused sick and vacation leave balances that are inaccurate.

Village Council should adopt a formal sick and vacation leave policy that may include: who is entitled to sick and vacation leave; the amount at which sick and vacation leave will be accrued; the procedures to request sick and vacation leave; maximum amount of sick and vacation balances that can be carried; etc. In addition, the Village Clerk should maintain vacation and sick leave records which detail beginning and ending balances, accruals and usages for each respective Village employee entitled to vacation and sick leave. Also, the Village Clerk should utilize leave forms to ensure requested leave is properly authorized. This will help ensure vacation and sick leave balances and usage are properly maintained and authorized.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF WAYNESBURG

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2000**