



**Auditor of State
Betty Montgomery**

VILLAGE OF WALBRIDGE
WOOD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Walbridge
Wood County
111 North Main Street
Walbridge, Ohio 43465-1095

To the Village Council:

We have audited the accompanying financial statements of the Village of Walbridge, Wood County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Walbridge, Wood County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 16, 2005

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

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

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|--------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$ 70,960 | | | | \$ 70,960 |
| Municipal Income Taxes | 545,041 | | \$ 109,009 | \$ 124,581 | 778,631 |
| Special Assessments | 318 | \$ 26,765 | | | 27,083 |
| Intergovernmental Receipts | 150,785 | 160,008 | | | 310,793 |
| Charges for Services | 34,048 | | | | 34,048 |
| Fines, Licenses, and Permits | 23,349 | 816 | | | 24,165 |
| Earnings on Investments | 13,526 | 234 | | | 13,760 |
| Miscellaneous | 25,284 | 3,000 | | | 28,284 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 863,311 | 190,823 | 109,009 | 124,581 | 1,287,724 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 400,253 | 26,072 | | | 426,325 |
| Public Health Services | 2,610 | | | | 2,610 |
| Leisure Time Activities | 109,343 | | | | 109,343 |
| Community Environment | 10,346 | | | | 10,346 |
| Transportation | 116,803 | 98,476 | | | 215,279 |
| General Government | 337,688 | 899 | | | 338,587 |
| Debt Service: | | | | | |
| Principal Payments | | | 168,250 | | 168,250 |
| Interest Payments | | | 20,032 | | 20,032 |
| Capital Outlay | | | | 45,098 | 45,098 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 977,043 | 125,447 | 188,282 | 45,098 | 1,335,870 |
| Total Receipts Over/(Under) Disbursements | (113,732) | 65,376 | (79,273) | 79,483 | (48,146) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Assets | 4,329 | | | | 4,329 |
| Other Financing Uses | (2,500) | | | | (2,500) |
| Total Other Financing Receipts/(Disbursements) | 1,829 | | | | 1,829 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (111,903) | 65,376 | (79,273) | 79,483 | (46,317) |
| Fund Cash Balances, January 1 | 796,292 | 93,646 | 194,930 | 267,652 | 1,352,520 |
| Fund Cash Balances, December 31 | <u>\$ 684,389</u> | <u>\$ 159,022</u> | <u>\$ 115,657</u> | <u>\$ 347,135</u> | <u>\$ 1,306,203</u> |
| Reserves for Encumbrances, December 31 | <u>\$ 1,792</u> | | | | <u>\$ 1,792</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$ 75,529 | | | | \$ 75,529 |
| Municipal Income Taxes | 579,147 | | \$ 115,671 | \$ 132,197 | 827,015 |
| Special Assessments | | \$ 25,531 | | | 25,531 |
| Intergovernmental Receipts | 151,267 | 135,397 | | | 286,664 |
| Charges for Services | 272,984 | | | | 272,984 |
| Fines, Licenses, and Permits | 25,843 | 1,530 | | | 27,373 |
| Earnings on Investments | 21,085 | 408 | | | 21,493 |
| Miscellaneous | 21,232 | 781 | | | 22,013 |
| Total Cash Receipts | 1,147,087 | 163,647 | 115,671 | 132,197 | 1,558,602 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 533,478 | 27,172 | | | 560,650 |
| Public Health Services | 2,818 | | | | 2,818 |
| Leisure Time Activities | 79,317 | | | | 79,317 |
| Community Environment | 1,469 | | | | 1,469 |
| Transportation | 124,367 | 469,170 | | | 593,537 |
| General Government | 470,251 | | | | 470,251 |
| Debt Service: | | | | | |
| Principal Payments | | | 100,000 | | 100,000 |
| Interest Payments | | | 14,963 | | 14,963 |
| Capital Outlay | | | | 125,430 | 125,430 |
| Total Cash Disbursements | 1,211,700 | 496,342 | 114,963 | 125,430 | 1,948,435 |
| Total Receipts Over/(Under) Disbursements | (64,613) | (332,695) | 708 | 6,767 | (389,833) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Bonds or Notes | | 325,000 | | | 325,000 |
| Other Financing Uses | (11,658) | | | | (11,658) |
| Total Other Financing Receipts/(Disbursements) | (11,658) | 325,000 | | | 313,342 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (76,271) | (7,695) | 708 | 6,767 | (76,491) |
| Fund Cash Balances, January 1 | 872,563 | 101,341 | 194,222 | 260,885 | 1,429,011 |
| Fund Cash Balances, December 31 | \$ 796,292 | \$ 93,646 | \$ 194,930 | \$ 267,652 | \$ 1,352,520 |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Walbridge, Wood County, (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 street maintenance, repairs and construction, park operations, street lighting and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are 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.

Certificates of deposit and U.S. Treasury Notes are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

Street Light Assessment Fund - This fund receives of Village special assessments and is used for the payment of street lighting.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Debt Service Fund – This fund is used to pay principal and interest on tax anticipation notes.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Projects Fund - This fund receives proceeds of Village income tax and is used for street construction and reconstruction.

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 or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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.

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2003</u> | <u>2002</u> |
|--------------------------------|---------------------|---------------------|
| Demand deposits | \$ 1,130,977 | \$ 1,302,520 |
| Certificates of deposit | 75,000 | 50,000 |
| Total deposits | <u>1,205,977</u> | <u>1,352,520</u> |
| U.S. Treasury Notes | 100,226 | |
| Total investments | <u>100,226</u> | |
| Total deposits and investments | <u>\$ 1,306,203</u> | <u>\$ 1,352,520</u> |

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

Investments: U.S. Treasury Notes 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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|---------------------|------------------|
| General | \$ 855,812 | \$ 867,640 | \$ 11,828 |
| Special Revenue | 161,000 | 190,823 | 29,823 |
| Debt Service | 110,000 | 109,009 | (991) |
| Capital Projects | 130,000 | 124,581 | (5,419) |
| Total | <u>\$ 1,256,812</u> | <u>\$ 1,292,053</u> | <u>\$ 35,241</u> |

2003 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-------------------|
| General | \$ 1,200,000 | \$ 981,335 | \$ 218,665 |
| Special Revenue | 178,600 | 125,447 | 53,153 |
| Debt Service | 287,000 | 188,282 | 98,718 |
| Capital Projects | 100,000 | 45,098 | 54,902 |
| Total | <u>\$ 1,765,600</u> | <u>\$ 1,340,162</u> | <u>\$ 425,438</u> |

2002 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|---------------------|------------------|
| General | \$ 1,079,739 | \$ 1,147,087 | \$ 67,348 |
| Special Revenue | 469,366 | 488,647 | 19,281 |
| Debt Service | 110,000 | 115,671 | 5,671 |
| Capital Projects | 127,000 | 132,197 | 5,197 |
| Total | <u>\$ 1,786,105</u> | <u>\$ 1,883,602</u> | <u>\$ 97,497</u> |

2002 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|---------------------|
| General | \$ 1,931,665 | \$ 1,223,358 | \$ 708,307 |
| Special Revenue | 301,929 | 496,342 | (194,413) |
| Debt Service | 425,740 | 114,963 | 310,777 |
| Capital Projects | 520,200 | 125,430 | 394,770 |
| Total | <u>\$ 3,179,534</u> | <u>\$ 1,960,093</u> | <u>\$ 1,219,441</u> |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance, and Repair Fund by \$281,659 for the year ended December 31, 2002.

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

4. 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.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|-------------------|----------------------|
| Street Improvement Bond Anticipation Notes | <u>\$ 325,000</u> | <u>3.95%</u> |

The Street Improvement Bond Anticipation Note relates to constructing street improvements in the Village. The Village Council has approved up to \$400,000 for this project. The Village issued a \$325,000 note with Fifth Third Bank on September 23, 2003. The note matures on September 23, 2005. Only monthly interest payments are required by the Village with the total principal being paid on the maturity date. No assets are pledged to secure this note.

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

| Year ending December 31: | Bond Anticipation Notes |
|--------------------------|-------------------------------|
| 2004 | \$ 12,838 |
| 2005 | 334,356 |
| Total | \$ 347,194 |

7. 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. These plans provide retirement benefits, including postretirement 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. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per § 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31:

| | 2003 | 2002 (Restated) |
|------------------|----------------|--------------------|
| Assets | \$ 1,811,340 | \$ 1,852,060 |
| Liabilities | (3,653,152) | (3,858,213) |
| Retained deficit | \$ (1,841,812) | \$ (2,006,153) |



**Auditor of State
Betty Montgomery**

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

Village of Walbridge
Wood County
111 North Main Street
Walbridge, Ohio 43465-1095

To the Village Council:

We have audited the accompanying financial statements of the Village of Walbridge, Wood County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 16, 2005 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001, 2003-002, 2003-003, 2003-004, and 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated February 16, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-006.

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. We consider item 2003-006 listed above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do require inclusion in this report that we have reported to the Village's management in a separate letter dated February 16, 2005.

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



Betty Montgomery
Auditor of State

February 16, 2005

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Finding for Recovery

According to Ohio Revised Code §9.39, public officials are generally liable for monies received or collected by them or their subordinates. In addition, O.R.C. §1905.21 provides that the mayor must account for and dispose of all fines, costs, and forfeitures that he collects as provided by O.R.C. §733.40.

From June 1, 2003 through March 30, 2004, \$3,241 was collected for the Mayor's Court by Jennifer Kimura, Mayor's Court Clerk. As evidences by the Mayor's Court receipt book, this money was not deposited into the Mayor's Court bank account or any other Village bank account.

In accordance with the forgoing facts, and pursuant to O.R.C. §117.28, a finding for recovery for public money collected but not accounted for is hereby issued against Jennifer Kimura, Clerk of Courts, Dan Wilczynski, Mayor, and Western Surety Company, jointly and severally, in the amount of \$3,241 in favor of the Village of Walbridge Mayor's Court.

FINDING NUMBER 2003-002

Finding for Recovery – Repaid during Audit

Village Ordinance 015-02 increased the Clerk/Treasurer's salary from \$9,000 per year to \$15,000 per year, retroactive to January 1, 2002. Ronald J. Liwo, Sr. was the Clerk/Treasurer at the time of this change, and was overcompensated by \$230.77 in the recalculation of the retroactive pay.

In accordance with the forgoing facts, and pursuant to O.R.C. §117.28, a finding for recovery for public money illegally expended is hereby issued against Ronald J. Liwo, Sr., Clerk/Treasurer, and Western Surety Company, jointly and severally, in the amount of \$230.77 in favor of the Village of Walbridge General Fund.

On December 1, 2004, Mr. Liwo, Sr. reimbursed the Village of Walbridge for the overcompensation received. The Village of Walbridge issued receipt number 4687 dated December 1, 2004 in the amount of \$230.95 to Mr. Liwo, Sr. for his reimbursement.

FINDING NUMBER 2003-003

Noncompliance Citation

According to Ohio Revised Code §9.39, public officials are generally liable for monies received or collected by them or their subordinates. In addition, O.R.C. §1905.21 provides that the mayor must account for and dispose of all fines, costs, and forfeitures that he collects as provided by O.R.C. §733.40. Ohio Revised Code §§ 2743.70 (A)(1) and 2949.091 (A) require the collection of additional court costs when any person is convicted or pleads guilty to any offense other than a traffic offense that is not a moving violation. O.R.C. §2743.70 (A)(1) requires that said fees be transmitted on the first business day of each month by the Clerk of Courts to the Treasurer of State. O.R.C. §2949.091 (A) requires that said fees be transmitted on or before the twentieth day of the following month by the Clerk of Courts to the Treasurer of State for the fees collected.

**FINDING NUMBER 2003-003
(Continued)**

From March 1, 2003 through September 30, 2004, the Mayor's Court only disbursed \$2,008 of the \$8,183 owed to the Treasurer of State for the fees collected.

We recommend that the Mayor's Court disburse the remaining amount of \$6,125 to the Treasurer of State. As of February 16, 2005, the required payments have been made to the Treasurer of State.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Revised Code § 5705.41 (D) states that no subdivision 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. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2003-004
 (Continued)**

- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For fifty three percent of the transaction tested, prior certification was not obtained nor was a “Then and Now” Certificate utilized. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls over disbursements, it is recommended that all Village non-payroll disbursements receive prior certification of the fiscal officer. When that is not possible, a Then and Now Certificate should be executed.

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

FINDING NUMBER 2003-005

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The Village’s legal level of control is the fund function level for the General Fund and fund level for all other funds. The following fund had expenditures that exceeded appropriations in 2002:

| <u>Fund</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Variance</u> |
|---|-----------------------|---------------------|-----------------|
| Street Construction, Maintenance & Repair Fund | \$168,755 | \$450,414 | (\$281,659) |

Management was advised that the failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-006

Material Weakness - Monitoring of the Mayor's Court

The Mayor did not monitor the financial operations or activities of the Mayor's Court. Documents such as open cases, bank reconciliations, monthly cashbooks, daily deposit, duplicate receipts issued and disbursements made did not indicate any type of monitoring being made by the Mayor through initialing or dating the documents had been reviewed.

The failure to adequately monitor the Mayor's Court operations could result in the misappropriation of the Mayor's Court assets to go undetected.

We recommend the Mayor initial and date his review of the monthly bank reconciliations, deposit to the bank, reconciliation of bank deposit with the receipts issued, and monthly disbursements of the court's activity to the appropriate agencies and governments to ensure Mayor's Court procedures are being performed in a timely and accurate manner.

**VILLAGE OF WALBRIDGE
WOOD COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 and 2002

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|---|
| 2001-001 | Revised Code § 5705.41 (D) – failure to certify funds | No | Reissued as finding 2003-004. |
| 2001-002 | Revised Code § 5705.39 – failure to limit appropriations to estimated revenues | No | Partially corrected. Reported as a management letter comment. |
| 2001-003 | Revised Code § 5705.41(B) – failure to limit expenditures to amounts appropriated | No | Reissued as finding 2003-005. |
| 2001-004 | Village monitoring of the financial activities during the year | No | Partially corrected. Reported as a management letter comment. |



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VILLAGE OF WALBRIDGE

WOOD 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
APRIL 12, 2005**