

VILLAGE OF WARSAW

AUDIT REPORT

JANUARY 1, 2003 - DECEMBER 31, 2004

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**



**Auditor of State
Betty Montgomery**

Village Council
Village of Warsaw
P.O. Box 399
Warsaw, OH 43844

We have reviewed the *Independent Auditor's Report* of the Village of Warsaw, Coshocton County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 20, 2005

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**VILLAGE OF WARSAW
COSHOCOTON COUNTY
JANUARY 1, 2003 - DECEMBER 31, 2004**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Mayor and Village Council
Village of Warsaw
P.O. Box 399
Warsaw, Ohio 43844

We have audited the accompanying financial statements of the Village of Warsaw, Coshocton County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village of Warsaw'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. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Warsaw's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Warsaw, Coshocton County, as of December 31, 2004 and 2003, 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 a report dated April 29, 2005, on our consideration of the Village of Warsaw's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 29, 2005

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General Fund	Special Revenue Fund	Capital Projects Fund	Totals (Memo Only)
Cash Receipts				
Local taxes	\$ 45,913	\$ 2,684	\$ -	\$ 48,597
Intergovernmental	40,363	37,947	-	78,310
Charges for Services	37,360	59,303	-	96,663
Fines, Licenses, and Permits	1,066	-	-	1,066
Interest	499	146	-	645
Miscellaneous	500	17,961	-	18,461
Total Cash Receipts	125,701	118,041	-	243,742
Cash Disbursements				
Current:				
Security of Persons and Property	37,267	-	-	37,267
Public Health Services	3,233	26,107	-	29,340
Lesisure Time Activities	17,679	58,450	-	76,129
Community Environment	1,000	-	-	1,000
Basic Utility	700	-	-	700
Transportation	-	42,223	-	42,223
General Government	64,113	-	-	64,113
Capital Outlay	-	-	417	417
Debt Service				
Principal	8,747	-	-	8,747
Interest	2,775	-	-	2,775
Total Cash Disbursements	135,514	126,780	417	262,711
Total Receipts Over (Under) Cash Disbursements	(9,813)	(8,739)	(417)	(18,969)
Other Financing Receipts (Disbursements)				
Debt Proceeds	19,110	-	-	19,110
Operating Transfers In	-	1,056	-	1,056
Operating Transfers Out	(1,056)	-	-	(1,056)
Advances In	-	250	-	250
Advances Out	(250)	-	-	(250)
Other Financing Sources	2,540	4,100	-	6,640
Other Financing Uses	(4,709)	(9,870)	-	(14,579)
Total Other Financing Receipts (Disbursements)	15,635	(4,464)	-	11,171
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	5,822	(13,203)	(417)	(7,798)
Fund Cash Balance - January 1, 2004	36,002	54,473	925	91,400
Fund Cash Balance - December 31, 2004	\$ 41,824	\$ 41,270	\$ 508	\$ 83,602
Encumbrances - December 31, 2004	\$ 494	\$ 388	\$ -	\$ 882

See notes to financial statements.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise Funds	Non-expendable Trust Fund	Totals (Memo Only)
Operating Receipts			
Charges for Services	\$ 162,404	\$ -	\$ 162,404
Miscellaneous	6,467	-	6,467
Total Operating Receipts	168,871	-	168,871
Operating Disbursements			
Personal Services	56,719	-	56,719
Employee Benefits	13,340	-	13,340
Contractual Services	34,414	-	34,414
Supplies and Materials	45,371	-	45,371
Miscellaneous	355	-	355
Capital Outlay	10,302	-	10,302
Total Operating Disbursements	160,501	-	160,501
Operating Income (Loss)	8,370	-	8,370
Non-operating Receipts			
Interest	1,360	817	2,177
Other Non-operating Receipts	974	-	974
Total Non-operating Receipts	2,334	817	3,151
Non-operating Disbursements			
Debt Service	-	-	-
Principal	9,870	-	9,870
Interest	5,893	-	5,893
Other Non-operating Disbursements	17,161	-	17,161
Total Non-operating Disbursements	32,924	-	32,924
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers and Advances	(22,220)	817	(21,403)
Transfers In	-	-	-
Advances In	-	-	-
Transfers Out	-	-	-
Advances Out	-	-	-
Net Receipts Over (Under) Disbursements	(22,220)	817	(21,403)
Fund Cash Balance - January 1, 2004	157,291	27,829	185,120
Fund Cash Balance - December 31, 2004	\$ 135,071	\$ 28,646	\$ 163,717
Encumbrances - December 31, 2004	\$ 2,577	\$ -	\$ 2,577

See notes to financial statements.

**VILLAGE OF WARSAW
COSHOCOTON 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**

	General Fund	Special Revenue Fund	Capital Projects Fund	Totals (Memo Only)
Cash Receipts				
Local taxes	\$ 41,149	\$ 2,752	\$ -	\$ 43,901
Intergovernmental	38,179	36,486	-	74,665
Charges for Services	11,684	60,875	-	72,559
Fines, Licenses, and Permits	1,082	-	-	1,082
Interest	367	1,393	-	1,760
Miscellaneous	-	22,950	-	22,950
Total Cash Receipts	92,461	124,456	-	216,917
Cash Disbursements				
Current:				
Security of Persons and Property	40,838	-	-	40,838
Public Health Services	2,000	23,373	-	25,373
Lesisure Time Activities	15,021	67,567	-	82,588
Community Environment	119	-	-	119
Transportation	-	22,365	-	22,365
General Government	67,280	-	-	67,280
Capital Outlay	-	326	-	326
Debt Service				
Principal	6,345	5,469	-	11,814
Interest	1,211	1,657	-	2,868
Total Cash Disbursements	132,814	120,757	-	253,571
Total Receipts Over (Under) Cash Disbursements	(40,353)	3,699	-	(36,654)
Other Financing Receipts (Disbursements)				
Debt Proceeds	-	-	-	-
Operating Transfers In	-	1,900	-	1,900
Operating Transfers Out	(500)	-	-	(500)
Advances In	-	4,250	-	4,250
Advances Out	(4,250)	-	-	(4,250)
Other Financing Sources	19,966	-	-	19,966
Other Financing Uses	(4,280)	-	-	(4,280)
Total Other Financing Receipts (Disbursements)	10,936	6,150	-	17,086
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(29,417)	9,849	-	(19,568)
Fund Cash Balance - January 1, 2003	65,419	44,624	925	110,968
Fund Cash Balance - December 31, 2003	\$ 36,002	\$ 54,473	\$ 925	\$ 91,400
Encumbrances - December 31, 2003	\$ 356	\$ 172	\$ -	\$ 528

See notes to financial statements.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

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

	Enterprise Funds	Non-expendable Trust Fund	Totals (Memo Only)
Operating Receipts			
Charges for Services	\$ 156,550	\$ -	\$ 156,550
Miscellaneous	3,085	-	3,085
Total Operating Receipts	159,635	-	159,635
Operating Disbursements			
Personal Services	57,725	-	57,725
Employee Benefits	12,754	-	12,754
Contractual Services	38,645	-	38,645
Supplies and Materials	43,379	-	43,379
Miscellaneous	649	-	649
Capital Outlay	4,747	-	4,747
Total Operating Disbursements	157,899	-	157,899
Operating Income (Loss)	1,736	-	1,736
Non-operating Receipts			
Interest	1,744	643	2,387
Other Non-operating Receipts	23,021	-	23,021
Total Non-operating Receipts	24,765	643	25,408
Non-operating Disbursements			
Debt Service	-	-	-
Principal	13,141	42,266	55,407
Interest	5,501	2,558	8,059
Other Non-operating Disbursements	6,641	-	6,641
Total Non-operating Disbursements	25,283	44,824	70,107
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers and Advances	1,218	(44,181)	(42,963)
Transfers In	-	-	-
Advances In	-	-	-
Transfers Out	-	(1,400)	(1,400)
Advances Out	-	-	-
Net Receipts Over (Under) Disbursements	1,218	(45,581)	(44,363)
Fund Cash Balance - January 1, 2003	156,073	73,410	229,483
Fund Cash Balance - December 31, 2003	\$ 157,291	\$ 27,829	\$ 185,120
Encumbrances - December 31, 2003	\$ 982	\$ -	\$ 982

See notes to financial statements.

**VILLAGE OF WARSAW
COSHOCTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Warsaw, Coshocton 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 and provides general governmental services, street construction and maintenance, water and sewer utility services, park operations (leisure time activities), 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

Certificates of deposit are valued at cost.

D. Fund Accounting

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

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

Cemetery Fund - This fund receives interest and money from sales of plots for maintaining its cemeteries.

Parks and Recreation Fund - This fund receives money from pool admissions and passes, and rental of the park facilities. The Village park and pool is operated and maintained using this money.

Capital Projects 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 Projects Funds:

Capital Improvement Fund - This fund receives money from state resources used to perform capital improvements.

Enterprise Funds

These funds 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.

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

Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary fund: Cemetery Endowment Fund.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that the Village budget annually.

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. 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.

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.

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.

A summary of budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

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>2004</u>	<u>2003</u>
Demand Deposits	\$ 141,904	\$ 144,260
Certificates of deposit	105,415	132,260
Total Deposits	<u>247,319</u>	<u>276,520</u>

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 and 2003 is as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 161,996	\$ 147,351	\$ (14,645)
Special Revenue	167,875	123,197	(44,678)
Capital Projects	-	-	-
Enterprise	246,750	171,205	(75,545)
Fiduciary	600	817	217
Total	\$ 577,221	\$ 442,570	\$ (134,651)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 201,896	\$ 141,773	\$ 60,123
Special Revenue	216,376	137,038	79,338
Capital Projects	925	417	508
Enterprise	389,718	196,002	193,716
Fiduciary	12,000	-	-
Total	\$ 820,915	\$ 475,230	\$ 333,685

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 129,017	\$ 112,427	\$ (16,590)
Special Revenue	161,875	126,356	(35,519)
Capital Projects	-	-	-
Enterprise	184,440	184,400	-
Fiduciary	-	643	643
Total	\$ 475,332	\$ 423,826	\$ (51,466)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 171,212	\$ 137,950	\$ 33,262
Special Revenue	175,344	120,929	54,415
Capital Projects	925	-	925
Enterprise	338,037	184,164	153,873
Fiduciary	47,624	46,224	1,400
Total	\$ 733,142	\$ 489,267	\$ 243,875

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Section 5705.39, Ohio Revised Code states that appropriations per fund cannot exceed the estimated revenue. In 2004, the General Fund had appropriations exceeding estimated receipts by \$35,200.

4. PROPERTY TAX

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 payment, the first half is due by December 31. The second half payment is due the following June 20.

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

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

5. DEBT

Debt outstanding at December 31, 2004 and 2003 was as follows:

	2004		2003	
	Principal	%	Principal	%
Sanitary Sewer Loan	\$ 105,401	5.0	\$ 112,386	5.0
Post Office Loan	17,709	4.8	19,409	4.8
Truck Loan	16,397	4.9	-	4.9
Cruiser Loan	6,149	5.5	10,483	5.5
Water Loan	-	4.9	2,886	4.9
Total	<u>\$ 145,656</u>		<u>\$ 145,164</u>	

The Sanitary Sewer Loan is with Bank One, due May 1, 2019 with interest of 5%. The minimum payment is \$1,073.11 per month. This was used to perform sewer projects.

The Post Office Loan is with Bank One, due July 2012 with interest of 4.75%. The minimum payment is \$229.17 per month. This was used to purchase the old Village post office.

The Water Loan is with Bank One, due June 17, 2007 with interest of 4.85%, The minimum payment is \$480.43 per month. This was used to update water lines. This was paid off in 2004.

The Cruiser Loan is with Bank One, due April 27, 2006 with interest at 5.5%. The minimum payment is \$400.52 per month. This was used to purchase a police cruiser.

The Truck Loan is with Ohio Heritage, due April 4, 2009 with interest at 3.45%. The minimum payment is \$347.24 per month. This was used to purchase a 2001 truck.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

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

5. DEBT (Continued)

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

Year ending December 31	Sewer Loan	Post Office Loan	Cruiser Loan	Truck Loan
2005	\$ 12,877	\$ 2,750	\$ 4,806	\$ 4,167
2006	12,877	2,750	1,548	4,167
2007	12,877	2,750	-	4,167
2008	12,877	2,750	-	4,167
2009	12,877	2,750	-	1,389
Subsequent	72,524	7,256	-	-
	<u>\$ 136,909</u>	<u>\$ 21,006</u>	<u>\$ 6,354</u>	<u>\$ 18,057</u>

6. RETIREMENT SYSTEMS

The Villages full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as 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, 2004.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property ad general liability
- Vehicles
- Errors and omissions

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Mayor and Village Council
Village of Warsaw
P.O. Box 399
Warsaw, Ohio 43844

We have audited the financial statements of The Village of Warsaw as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 29, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered the Village of Warsaw's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village of Warsaw in a separate letter dated April 29, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Village of Warsaw's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2004-01. We have noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Warsaw in a separate letter dated April 29, 2005.

This report is intended for the information of the Mayor, Village Administrator, Clerk, Council and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 29, 2005

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-01

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of 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.

Prior certification was not obtained for 97.0% of the expenditures tested.

The Clerk/Treasurer should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued 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 council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Village can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Clerk/Treasurer to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk/Treasurer without subsequent authorization from Council. However, then and now certificates issued by the Clerk/Treasurer over \$3,000 must be authorized by Council within thirty days after payment.

The Village Administrator and all appropriate department supervisors should sign-off on all purchase orders or requisitions to help ensure compliance and serve as a monitoring review for all Village purchases.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

VILLAGE OF WARSAW

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 7, 2005**