

Village of Waldo

Marion County, Ohio

Regular Audit

For the Years Ended December 31, 2005 and 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Village Council
Village of Waldo
102 North Marion Street
P. O. Box 202
Marion, Ohio 43356

We have reviewed the *Independent Auditors' Report* of the Village of Waldo, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Auditors' 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 Auditors' 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 Waldo is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

December 11, 2006

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**VILLAGE OF WALDO
MARION COUNTY, OHIO**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Village Council
Village of Waldo
Marion County, Ohio
220 West Main Street
PO Box 202
Waldo, OH 43356

We have audited the accompanying financial statements of Village of Waldo, Marion County, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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 Village of Waldo, Marion County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2005 and 2004. The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

October 27, 2006

**VILLAGE OF WALDO
MARION COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$ 33,418	\$ -	\$ -	\$ 33,418
Intergovernmental	21,389	22,329	-	43,718
Fines, Licenses and Permits	745	-	-	745
Earnings on Investments	689	225	685	1,599
Other Revenue	4,933	-	-	4,933
Total Cash Receipts	<u>61,174</u>	<u>22,554</u>	<u>685</u>	<u>84,413</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	5,402	-	-	5,402
Public Health Service	1,145	-	-	1,145
Community Environment	1,706	-	-	1,706
Transportation	14,516	14,120	-	28,636
General Government	18,460	-	-	18,460
Total Cash Disbursements	<u>41,229</u>	<u>14,120</u>	<u>-</u>	<u>55,349</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>19,945</u>	<u>8,434</u>	<u>685</u>	<u>29,064</u>
Fund Cash Balances, January 1	<u>105,915</u>	<u>35,898</u>	<u>23,206</u>	<u>165,019</u>
Fund Cash Balances, December 31	<u><u>125,860</u></u>	<u><u>44,332</u></u>	<u><u>23,891</u></u>	<u><u>194,083</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 2,904</u></u>	<u><u>\$ 20</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,924</u></u>

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

**VILLAGE OF WALDO
MARION COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$ 32,215	\$ -	\$ -	\$ 32,215
Intergovernmental	21,935	24,725	-	46,660
Fines, Licenses and Permits	152	-	-	152
Earnings on Investments	412	133	667	1,212
Other Revenue	6,409	-	-	6,409
	<u>61,123</u>	<u>24,858</u>	<u>667</u>	<u>86,648</u>
Total Cash Receipts				
	<u>61,123</u>	<u>24,858</u>	<u>667</u>	<u>86,648</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	5,438	-	-	5,438
Public Health Service	1,514	-	-	1,514
Community Environment	1,798	-	-	1,798
Basic Utility Services	1,000	-	-	1,000
Transportation	10,169	19,490	-	29,659
General Government	22,902	-	-	22,902
	<u>42,821</u>	<u>19,490</u>	<u>-</u>	<u>62,311</u>
Total Cash Disbursements				
	<u>42,821</u>	<u>19,490</u>	<u>-</u>	<u>62,311</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>18,302</u>	<u>5,368</u>	<u>667</u>	<u>24,337</u>
Fund Cash Balances, January 1	<u>87,613</u>	<u>30,530</u>	<u>22,539</u>	<u>140,682</u>
Fund Cash Balances, December 31	<u>105,915</u>	<u>35,898</u>	<u>23,206</u>	<u>165,019</u>
Reserve for Encumbrances, December 31	<u>\$ 2,904</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 2,924</u>

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

VILLAGE OF WALDO
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Waldo, Marion County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including park operations (leisure time activities). The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

The Village management believes these financial statements represent 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

The Village maintains an interest-bearing checking account and a certificate of deposit. The certificate of deposit is valued at cost.

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 license tax money to pay for constructing maintaining and repairing Village streets.

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money to pay for constructing, maintaining and repairing highways.

VILLAGE OF WALDO
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund:

This fund is 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). This fund consists of tap-in fees collected from village residents to be used for a future sanitary sewer project.

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 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 re-appropriated.

A summary of 2005 and 2004 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. Unpaid Sick Leave

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

VILLAGE OF WALDO
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

2. EQUITY IN POOLED CASH

The Village maintains a cash 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>2005</u>	<u>2004</u>
Demand deposits	\$169,542	\$141,163
Certificate of Deposit	<u>24,541</u>	<u>23,856</u>
Total Deposits	<u>\$194,083</u>	<u>\$165,019</u>

Deposits:

The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003, was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$58,716	\$61,174	\$2,458
Special Revenue	19,800	22,554	2,754
Enterprise	<u>700</u>	<u>685</u>	<u>(15)</u>
Total	<u>\$79,216</u>	<u>\$84,413</u>	<u>\$5,197</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$93,825	\$41,229	\$52,596
Special Revenue	35,300	14,120	21,180
Enterprise	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$129,125</u>	<u>\$55,349</u>	<u>\$73,776</u>

VILLAGE OF WALDO
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

3. **BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$58,209	\$61,123	\$2,914
Special Revenue	19,800	24,858	5,058
Capital Projects	<u>700</u>	<u>667</u>	<u>(33)</u>
Total	<u>\$78,709</u>	<u>\$86,648</u>	<u>(\$7,939)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$90,700	\$42,821	\$47,879
Special Revenue	32,658	19,490	13,168
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$123,358</u>	<u>\$62,311</u>	<u>\$61,047</u>

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 payment, the first half is due 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.

VILLAGE OF WALDO
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

5. RETIREMENT SYSTEMS

The Village's 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 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 2004 and 2005, members of PERS contributed 8.5% of gross wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

The Village has obtained insurance for the following risks:

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

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. The Village has not incurred significant reductions in insurance coverage from coverage in the prior year by major category or risk

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Village Council
Village of Waldo
Marion County, Ohio
220 West Main Street
Waldo, Ohio 43356

We have audited the financial statements of Village of Waldo, Marion County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 27, 2006. 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 Financial Reporting

In planning and performing our audit, we considered the Villages 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 that might be material weaknesses. A material weakness is a condition in which the design or operating of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount 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.

Compliance and Other Matters

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 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 tests disclosed an instance of noncompliance that is required to be reported under *Governmental Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-001

We noted certain matters which have been discussed with management in a separate letter dated October 27, 2006.

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



Balestra, Harr & Scherer, CPAs, Inc.
October 27, 2006

**VILLAGE OF WALDO
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation

ORC Section 5705.39 provides in part the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official or amended official estimate.

The Village appropriated \$2,458 and \$90 more than the total estimated resources in the Permissive Tax fund in 2004 and 2005, respectively.

The Village should ensure that total appropriations from each fund do not exceed the total official or amended official certificate.

Client Response:

The Clerk/Treasurer and the Council will monitor budgetary data more closely in the future.

**VILLAGE OF WALDO
MARION COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-01	Ohio Revised Code 5705.41(D), Failure to Certify Funds	Yes	



**Auditor of State
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VILLAGE OF WALDO

MARION 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 21, 2006**