

**VILLAGE OF WAYNESBURG
STARK COUNTY
Regular Audit
December 31, 2005 and 2004**



**Auditor of State
Betty Montgomery**

Village Council
Village of Waynesburg
141 E. Lisbon Street
P.O. Box 610
Waynesburg, OH 44688

We have reviewed the *Independent Accountants' Report* of the Village of Waynesburg, Stark County, prepared by Perry and Associates, Certified Public Accountants, A.C., 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 Accountant'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 Accountant'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 Waynesburg is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

September 27, 2006

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**VILLAGE OF WAYNESBURG
STARK COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Accountants' Report | 1-2 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2005 | 4 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2005 | 6 |
| Notes to the Financial Statements | 7-15 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 16-17 |
| Schedule of Findings | 18-21 |
| Schedule of Prior Audit Findings | 22 |

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

August 18, 2006

Village of Waynesburg
Stark County
141 E. Lisbon Street, P.O. Box 610
Waynesburg, OH 44688

To the Honorable Mayor and Members of 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, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 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 beginning in 2004. While the Village does not follow GAAP, generally accepted auditing standards requires 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 reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 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 their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Waynesburg, Stark County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF 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, 2005**

| | <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: | | | | | |
| Local Taxes | \$38,463 | \$124,077 | \$13,970 | | \$176,510 |
| Intergovernmental | 28,560 | 59,125 | | 10,000 | 97,685 |
| Charges for Services | | 58,668 | | | 58,668 |
| Fines, Licenses, and Permits | 22,639 | | | | 22,639 |
| Earnings on Investments | 7,860 | | | | 7,860 |
| Miscellaneous Revenue | 6,644 | 17,877 | | | 24,521 |
| | <u>104,166</u> | <u>259,747</u> | <u>13,970</u> | <u>10,000</u> | <u>387,883</u> |
| Total Cash Receipts | | | | | |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 34,369 | 65,249 | | | 99,618 |
| Public Health Services | | 22,228 | | | 22,228 |
| Transportation | | 16,284 | | | 16,284 |
| General Government | 97,416 | 68,828 | | | 166,244 |
| Debt Service: | | | | | |
| Redemption of Principal | | 37,418 | 9,824 | | 47,242 |
| Interest and Fiscal Charges | | 342 | 4,146 | | 4,488 |
| Capital Outlay | 24,372 | 81,085 | | 10,000 | 115,457 |
| | <u>156,157</u> | <u>291,434</u> | <u>13,970</u> | <u>10,000</u> | <u>471,561</u> |
| Total Cash Disbursements | | | | | |
| Total Cash Receipts Over/(Under) Disbursements | <u>(51,991)</u> | <u>(31,687)</u> | <u>0</u> | <u>0</u> | <u>(83,678)</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Proceeds from Sale of Public Debt: | | | | | |
| Note Proceeds | 13,021 | 39,064 | | | 52,085 |
| Sale of Fixed Assets | 7,100 | | | | 7,100 |
| Advances-In | 10,000 | | | | 10,000 |
| Advances-Out | | | | (10,000) | (10,000) |
| | <u>30,121</u> | <u>39,064</u> | <u>0</u> | <u>(10,000)</u> | <u>59,185</u> |
| Total Other Financing Receipts/(Disbursements) | | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(21,870)</u> | <u>7,377</u> | <u>0</u> | <u>(10,000)</u> | <u>(24,493)</u> |
| Fund Cash Balances, January 1 | <u>86,195</u> | <u>295,912</u> | <u>0</u> | <u>10,000</u> | <u>392,107</u> |
| Fund Cash Balances, December 31 | <u>\$64,325</u> | <u>\$303,289</u> | <u>\$0</u> | <u>\$0</u> | <u>\$367,614</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 FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Revenues: | | | |
| Charges for Services | \$174,879 | | \$174,879 |
| Fines and Forfeitures | | 34,002 | 34,002 |
| Miscellaneous | 2,626 | | 2,626 |
| Total Operating Revenues | <u>177,505</u> | <u>34,002</u> | <u>211,507</u> |
| Operating Expenses: | | | |
| Personal Services | 25,685 | | 25,685 |
| Transportation | 2,082 | | 2,082 |
| Contractual Services | 45,951 | | 45,951 |
| Material and Supplies | 13,534 | | 13,534 |
| Capital Outlay | 9,431 | | 9,431 |
| Total Operating Cash Disbursements | <u>96,683</u> | <u>0</u> | <u>96,683</u> |
| Operating Income (Loss) | <u>80,822</u> | <u>34,002</u> | <u>114,824</u> |
| Non-operating Expenses: | | | |
| Debt Service: | | | |
| Redemption of Principal | 31,909 | | 31,909 |
| Interest and Fiscal Charges | 17,197 | | 17,197 |
| Other Non-Operating Expenses | | 30,356 | 30,356 |
| Total Nonoperating Expenses | <u>49,106</u> | <u>30,356</u> | <u>79,462</u> |
| Net Income (Loss) | 31,716 | 3,646 | 35,362 |
| Fund Cash Balances, January 1 | <u>237,637</u> | <u>1,380</u> | <u>239,017</u> |
| Fund Cash Balances, December 31 | <u><u>\$269,353</u></u> | <u><u>\$5,026</u></u> | <u><u>\$274,379</u></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, 2004**

| | <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: | | | | | |
| Local Taxes | \$37,457 | \$113,542 | \$13,970 | | \$164,969 |
| Intergovernmental | 34,559 | 59,281 | | | 93,840 |
| Charges for Services | | 41,501 | | | 41,501 |
| Fines, Licenses, and Permits | 29,410 | | | | 29,410 |
| Earnings on Investments | 5,536 | | | | 5,536 |
| Miscellaneous Revenue | 10,161 | 9,641 | | | 19,802 |
| Total Cash Receipts | <u>117,123</u> | <u>223,965</u> | <u>13,970</u> | <u>0</u> | <u>355,058</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 33,510 | 62,416 | | | 95,926 |
| Public Health Services | | 21,701 | | | 21,701 |
| Transportation | | 11,818 | | | 11,818 |
| General Government | 95,318 | 56,922 | | | 152,240 |
| Debt Service: | | | | | |
| Redemption of Principal | | 6,806 | 8,610 | | 15,416 |
| Interest and Fiscal Charges | | 948 | 5,360 | | 6,308 |
| Capital Outlay | 1,800 | 20,505 | | | 22,305 |
| Total Cash Disbursements | <u>130,628</u> | <u>181,116</u> | <u>13,970</u> | <u>0</u> | <u>325,714</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>(13,505)</u> | <u>42,849</u> | <u>0</u> | <u>0</u> | <u>29,344</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Fixed Assets | 2,205 | | | | 2,205 |
| Advances-In | | | | 10,000 | 10,000 |
| Advances-Out | (10,000) | | | | (10,000) |
| Total Other Financing Receipts/(Disbursements) | <u>(7,795)</u> | <u>0</u> | <u>0</u> | <u>10,000</u> | <u>2,205</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (21,300) | 42,849 | 0 | 10,000 | 31,549 |
| Fund Cash Balances, January 1 | <u>107,495</u> | <u>253,063</u> | <u>0</u> | <u>0</u> | <u>360,558</u> |
| Fund Cash Balances, December 31 | <u>\$86,195</u> | <u>\$295,912</u> | <u>\$0</u> | <u>\$10,000</u> | <u>\$392,107</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 FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Revenues: | | | |
| Charges for Services | \$182,039 | | \$182,039 |
| Fines and Forfeitures | | 36,481 | 36,481 |
| Miscellaneous | 3,951 | | 3,951 |
| Total Operating Revenues | <u>185,990</u> | <u>36,481</u> | <u>222,471</u> |
| Operating Expenses: | | | |
| Personal Services | 24,759 | | 24,759 |
| Transportation | 2,461 | | 2,461 |
| Contractual Services | 50,399 | | 50,399 |
| Material and Supplies | 16,674 | | 16,674 |
| Capital Outlay | 5,170 | | 5,170 |
| Total Operating Cash Disbursements | <u>99,463</u> | <u>0</u> | <u>99,463</u> |
| Operating Income (Loss) | <u>86,527</u> | <u>36,481</u> | <u>123,008</u> |
| Non-operating Expenses: | | | |
| Debt Service: | | | |
| Redemption of Principal | 29,412 | | 29,412 |
| Interest and Fiscal Charges | 19,108 | | 19,108 |
| Other Non-Operating Expenses | | 37,921 | 37,921 |
| Total Nonoperating Expenses | <u>48,520</u> | <u>37,921</u> | <u>86,441</u> |
| Net Income (Loss) | 38,007 | (1,440) | 36,567 |
| Fund Cash Balances, January 1 | <u>199,630</u> | <u>2,820</u> | <u>202,450</u> |
| Fund Cash Balances, December 31 | <u><u>\$237,637</u></u> | <u><u>\$1,380</u></u> | <u><u>\$239,017</u></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, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Waynesburg, Stark 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. In addition, the Village's water utilities are directed by a publicly-elected three-member Board of Public Affairs. The Village provides water utilities, park operations, cemetery operations, and police services. Fire protection services are provided to Village residents by the Village's Volunteer Fire Department.

The Village's management believes 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 8 through 10. These organizations include:

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

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 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 invested in a repurchase agreement (overnight sweep) during 2005 and 2004. 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, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has 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 and Bridge Fund – This fund receives levy monies to maintain Village roads and bridges.

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

Fire Levy Fund – This fund receives levy monies to operate and maintain the Village Volunteer Fire Department.

Police Levy Fund – This fund receives levy monies to operate and maintain the Village Police Department.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtednesses. The village had the following Debt Service Fund:

Fire Truck Bond Retirement Fund – This fund receives levy monies to retire the debt associated with the purchase of the Village's fire truck.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

County Municipal Road Grant Fund – This fund received a grant from the county for replacement of a culvert and road repairs.

5. 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 for residents to cover the cost of providing this utility.

Water Debt Fund – This fund receives a portion of the Village's water surcharge from residents to retire debt associated with the water plant expansion, upgrading of Village water meters, and the purchase of a new water truck.

Water Improvement Fund – This fund receives a portion of the Village's water surcharge from residents to cover the cost of improving the Village's water plant.

6. 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 Fiduciary Fund:

Mayor's Court 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.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Village did not encumber all commitments required by Ohio law.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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>2005</u> | <u>2004</u> |
|----------------------|-------------------|-------------------|
| Demand deposits | \$ 45,915 | \$ 55,285 |
| Repurchase agreement | 596,078 | 575,839 |
| Total deposits | <u>\$ 641,993</u> | <u>\$ 631,124</u> |

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

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$162,349 | \$134,287 | (\$28,062) |
| Special Revenue | 255,400 | 298,811 | 43,411 |
| Debt Service | 13,970 | 13,970 | 0 |
| Capital Projects | 113,875 | 10,000 | (103,875) |
| Enterprise | 186,200 | 177,505 | (8,695) |
| Agency | 0 | 34,002 | 34,002 |
| Total | \$731,794 | \$668,575 | (\$63,219) |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$177,021 | \$156,157 | \$20,864 |
| Special Revenue | 363,664 | 291,434 | 72,230 |
| Debt Service | 13,970 | 13,970 | 0 |
| Capital Projects | 123,875 | 20,000 | 103,875 |
| Enterprise | 166,025 | 145,789 | 20,236 |
| Agency | 0 | 30,356 | (30,356) |
| Total | \$844,555 | \$657,706 | \$186,849 |

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$126,084 | \$119,328 | (\$6,756) |
| Special Revenue | 186,201 | 223,965 | 37,764 |
| Debt Service | 13,970 | 13,970 | 0 |
| Capital Projects | 10,000 | 10,000 | 0 |
| Enterprise | 182,900 | 185,990 | 3,090 |
| Agency | 0 | 36,481 | 36,481 |
| Total | \$519,155 | \$589,734 | \$70,579 |

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$207,600 | \$140,628 | \$66,972 |
| Special Revenue | 306,200 | 181,116 | 125,084 |
| Debt Service | 13,970 | 13,970 | 0 |
| Capital Projects | 10,000 | 0 | 10,000 |
| Enterprise | 170,925 | 147,983 | 22,942 |
| Agency | 0 | 37,921 | (37,921) |
| Total | \$708,695 | \$521,618 | \$187,077 |

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 52% of expenditures tested during 2005 and 58% of expenditures testing during 2004.

4. PROPERTY TAXES

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. 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 taxes are 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 WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|-------------------|----------------------|
| 1987 OWDA Loan No. 1960 | \$ 44,601 | 9.48% |
| 1987 OWDA Loan No. 1961 | 97,024 | 8.48% |
| 1987 OWDA Loan No. 1962 | 72,761 | 8.07% |
| 1998 Consumers National Bank Pumper Truck Loan | 63,076 | 5.00% |
| 2005 Bank of Magnolia Dump Truck | 52,085 | 5.00% |
| Total | <u>\$ 329,547</u> | |

The Ohio Water Development Authority (OWDA) loans relate to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments as follows: \$5,397, including interest, over 24 years for loan no. 1960; \$11,416, including interest, over 24 years for loan no. 1961; and \$8,450, including interest, over 22 years for loan no. 1962. The loan is collateralized by water surcharge receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Consumers National Bank pumper truck loan was obtained for the purchase of a pumper truck for the Village's Volunteer Fire Department. The loan 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 goods or property being purchased.

The Bank of Magnolia dump truck loan was obtained for the purchase of a dump truck for Village use. The note will be repaid in annual installments of \$10,021, including interest, over six years. The loan is collateralized by the goods or property being purchased.

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

| <u>Year Ending December 31:</u> | <u>OWDA Loan No. 1960</u> | <u>OWDA Loan No. 1961</u> | <u>OWDA Loan No. 1962</u> | <u>Consumers Pumper Truck Loan</u> | <u>Bank of Magnolia Dump Truck Loan</u> |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|--|---|
| 2006 | \$10,794 | \$22,832 | \$16,900 | \$13,970 | \$10,921 |
| 2007 | \$10,794 | \$22,832 | \$16,900 | \$13,970 | \$10,021 |
| 2008 | \$10,794 | \$22,832 | \$16,900 | \$79,682 | \$10,021 |
| 2009 | \$10,794 | \$22,832 | \$16,900 | | \$10,021 |
| 2010 | \$10,794 | \$22,832 | \$16,900 | | \$10,021 |
| Subsequent | \$10,794 | \$22,832 | \$16,900 | | \$10,021 |
| Total | <u>\$64,764</u> | <u>\$136,992</u> | <u>\$101,400</u> | <u>\$107,622</u> | <u>\$61,026</u> |

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (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 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

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

Health and Life Insurance

The Village's Police Chief and Street Director receive health and life insurance coverage through the Ohio Farm Bureau Association Alliance at the Nationwide Life Insurance Company.

8. STARK COUNTY 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 SCOG. The SCOG 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.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

9. 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 principal 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 exercises total authority for the day-to-day operations of the Commission including budgeting, appropriating, contracting, and designating management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

10. STARK QUAD AMBULANCE DISTRICT

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 and Waynesburg, and Sandy and Rose Townships. The District is directed by a Board of Trustees consisting of four members. One Board Member is appointed by each political subdivision with 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.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

August 18, 2006

Village of Waynesburg
Stark County
141 E. Lisbon Street, P.O. Box 610
Waynesburg, OH 44688

To the Honorable Mayor and Members of Village Council:

We have audited the financial statements of the Village of Waynesburg, Stark County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 18, 2006, 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 the Comptroller General of the United States', *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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. The reportable conditions are described in the accompanying Schedule of Findings as items 2005-003 through 2005-006.

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 the 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. 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 Findings 2005-003 and 2005-004 to be material weaknesses. In a separate letter to the Village's management dated August 18, 2006, we reported other matters involving internal control over financial reporting that do not require inclusion in this report.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated August 18, 2006, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely 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.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF WAYNESBURG
STARK 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

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 (Clerk) 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 taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a 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 not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. 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. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
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.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2005-001 (Continued)

Ohio Revised Code § 5705.41(D)(1) (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 52% of the expenditures tested during 2005 and 58% of the expenditures tested during 2004 and there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – Management chose to not respond.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not agree with the amounts on the Village's accounting system. For example, the Clerk included the Agency Fund Type, Capital Projects Fund Type and Debt Service Type funds into the Special Revenue Fund Type on the Annual Financial Report. It was also noted various receipts in expenditures were accurately posted to the Village's accounting system, however the Clerk misclassified them when manually preparing the Annual Financial Report. Numerous audit reclassifications were proposed to the Village's Financial Statements.

We recommend the Annual Financial Report be accurately compiled from the Village's accounting system and be reconciled.

Management's Response – Management chose to not respond.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

| |
|---|
| FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2005-003

Reportable Condition/Material Weakness

Estimated Receipts

The Village did not post estimated receipts to the accounting system. Estimated receipts certified with the County Auditor should agree to the estimated receipts posted to the Village's accounting system. The Village obtained the proper certification of estimated receipts from the County Auditor, but failed to post estimated receipts in the accounting system. In manually preparing the Annual Financial Report, the Clerk recorded the estimated receipts from the last Amended Certificate of Estimated Resources filed with the County Auditor.

By not posting estimated receipts to the accounting system, the Village lacked a significant management control of monitoring year-to-date total comparison of budgeted amounts versus actual amounts.

We recommend the Village implement procedures to ensure estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment. We also recommend the Clerk provide Village Council with budget versus actual revenue reports on a regular basis for review and approval.

Management's Response – Management chose to not respond.

FINDING NUMBER 2005-004

Reportable Condition/Material Weakness

Posting Receipts and Expenditures

During 2004 and 2005, several receipts and expenditures were not posted into accurate revenue classifications based on the source of the receipt or expenditure. For example, various intergovernmental, sale of fixed assets and note proceeds were posted to the miscellaneous account in several funds. In addition, the expenditures for debt payment were posted to Supplies and Materials account or entirely to interest rather than principal and interest. Also, expenditures within the cemetery fund were improperly reflected as security of persons and property rather than health. These mispostings resulted in several audit reclassifications.

We recommend the Clerk refer to the Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – Management chose to not respond.

**VILLAGE OF WAYNESBURG
STARK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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|---|
| FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2005-005

Reportable Condition

Policies and Procedures Manual

Although the Village Council adopted written job descriptions for key personnel of the Village, Village Council has not adopted a formal policy and procedure manual, which would include items such as a Village organizational chart, written job descriptions for all Village employees, accounting procedure 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 policy and procedures manual. This will help ensure a defined system of accounting and reporting as well as evidence of written job descriptions that provide adequate segregation of duties and outline job responsibilities for all Village employees.

Management's Response – Management chose to not respond.

FINDING NUMBER 2005-006

Reportable Condition

Water Utilities - Delinquencies

The Board of Public Affairs does not have a formal policy for the collection of delinquent water accounts. As a result, the Village has an increased risk of not receiving monies owed for water utilities.

The Board of Public Affairs should adopt a policy detailing the methodology used to distinguish delinquent from uncollectible and the procedures for collecting on delinquent accounts. This policy should address the following issues:

- The monitoring and frequency of review for delinquent accounts
- The procedures to be utilized in an attempt to collect a delinquent account
- The period of time an account may remain delinquent before being classified as uncollectible; and
- The procedures for writing off an account as uncollectible

This will help ensure the Village has adequate policies and procedures in place for managing delinquent accounts.

Management's Response – Management chose to not respond.

**VILLAGE OF WAYNESBURG
STARK COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|---|
| 2003-001 | The Village has not adopted a formal policies and procedures manual. | No | Repeat as Finding 2005-005 |



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
OCTOBER 10, 2006**