



**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF REPUBLIC  
SENECA COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Village of Republic  
Seneca County  
219 Washington Street  
P.O. Box 219  
Republic, Ohio 44867-0219

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 16, 2008

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Republic  
Seneca County  
219 Washington Street  
P.O. Box 219  
Republic, Ohio 44867-0219

To the Village Council:

We have audited the accompanying financial statements of the Village of Republic, Seneca County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable 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 the Village of Republic, Seneca County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village 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 July 16, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

July 16, 2008



**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|   | <u>Governmental Fund Types</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>   |                                |                            |                             |   |
| Property and Local Taxes  | \$19,112                       |                            |                             | \$19,112                                |
| Intergovernmental   | 76,503                         | \$30,599                   |                             | 107,102                                 |
| Charges for Services  | 487                            |                            |                             | 487                                     |
| Fines, Licenses and Permits   | 32,855                         |                            |                             | 32,855                                  |
| Earnings on Investments   | 17,493                         | 173                        |                             | 17,666                                  |
| Miscellaneous   | 16,724                         | 1,014                      |                             | 17,738                                  |
|   |                                |                            |                             |   |
| Total Cash Receipts   | <u>163,174</u>                 | <u>31,786</u>              |                             | <u>194,960</u>                          |
| <b>Cash Disbursements:</b>  |                                |                            |                             |   |
| Current:  |                                |                            |                             |   |
| Security of Persons and Property  | 98,530                         | 327                        |                             | 98,857                                  |
| Leisure Time Activities   | 5,333                          |                            |                             | 5,333                                   |
| Community Environment   | 156                            |                            |                             | 156                                     |
| Basic Utility Service   | 4,077                          | 1,481                      |                             | 5,558                                   |
| Transportation  |                                | 41,515                     |                             | 41,515                                  |
| General Government  | 36,330                         | 92                         |                             | 36,422                                  |
| Capital Outlay  | 28,129                         | 5,500                      | \$110                       | 33,739                                  |
|   |                                |                            |                             |   |
| Total Cash Disbursements  | <u>172,555</u>                 | <u>48,915</u>              | <u>110</u>                  | <u>221,580</u>                          |
|   |                                |                            |                             |   |
| Total Receipts Under Disbursements  | <u>(9,381)</u>                 | <u>(17,129)</u>            | <u>(110)</u>                | <u>(26,620)</u>                         |
| <b>Other Financing Receipts / (Disbursements):</b>  |                                |                            |                             |   |
| Sale of Capital Assets  | 1,199                          |                            |                             | 1,199                                   |
| Transfers-Out   | (22,054)                       |                            |                             | (22,054)                                |
| Other Financing Sources   | 5,000                          |                            |                             | 5,000                                   |
|   |                                |                            |                             |   |
| Total Other Financing (Disbursements)   | <u>(15,855)</u>                |                            |                             | <u>(15,855)</u>                         |
|   |                                |                            |                             |   |
| Excess of Cash Receipts and Other Financing<br>Receipts Under Cash Disbursements<br>and Other Financing Disbursements | (25,236)                       | (17,129)                   | (110)                       | (42,475)                                |
|   |                                |                            |                             |   |
| Fund Cash Balances, January 1   | <u>33,704</u>                  | <u>35,442</u>              | <u>214</u>                  | <u>69,360</u>                           |
|   |                                |                            |                             |   |
| <b>Fund Cash Balances, December 31</b>  | <b><u>\$8,468</u></b>          | <b><u>\$18,313</u></b>     | <b><u>\$104</u></b>         | <b><u>\$26,885</u></b>                  |
|   |                                |                            |                             |   |
| Reserve for Encumbrances, December 31   |                                | <u>\$5,200</u>             |                             | <u>\$5,200</u>                          |

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

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|   | Proprietary<br>Fund Types | Fiduciary<br>Fund Type | Totals<br>(Memorandum<br>Only) |
|---|---------------------------|------------------------|--------------------------------|
|   | Enterprise                | Agency                 |                                |
| <b>Operating Cash Receipts:</b>                                     |                           |                        |                                |
| Charges for Services  | \$574,264                 | \$9,467                | \$583,731                      |
| Miscellaneous   | 83,223                    |                        | 83,223                         |
| Total Operating Cash Receipts                                       | <u>657,487</u>            | <u>9,467</u>           | <u>666,954</u>                 |
| <b>Operating Cash Disbursements:</b>                                |                           |                        |                                |
| Personal Services   | 87,704                    |                        | 87,704                         |
| Employee Fringe Benefits  | 25,459                    |                        | 25,459                         |
| Contractual Services  | 359,569                   |                        | 359,569                        |
| Supplies and Materials  | 73,291                    | 463                    | 73,754                         |
| Other   | 4,048                     | 7,179                  | 11,227                         |
| Total Operating Cash Disbursements                                  | <u>550,071</u>            | <u>7,642</u>           | <u>557,713</u>                 |
| Operating Income  | <u>107,416</u>            | <u>1,825</u>           | <u>109,241</u>                 |
| <b>Non-Operating Cash Receipts:</b>                                 |                           |                        |                                |
| Other Debt Proceeds   | 6,865                     |                        | 6,865                          |
| Miscellaneous Receipts  | 746                       |                        | 746                            |
| Total Non-Operating Cash Receipts                                   | <u>7,611</u>              |                        | <u>7,611</u>                   |
| <b>Non-Operating Cash Disbursements:</b>                            |                           |                        |                                |
| Capital Outlay  | 21,144                    |                        | 21,144                         |
| Redemption of Principal   | 20,279                    |                        | 20,279                         |
| Interest and Other Fiscal Charges                                   | 64,887                    |                        | 64,887                         |
| Other Non-Operating Cash Disbursements                              | 13                        |                        | 13                             |
| Total Non-Operating Cash Disbursements                              | <u>106,323</u>            |                        | <u>106,323</u>                 |
| Excess of Receipts Over Disbursements<br>Before Interfund Transfers | 8,704                     | 1,825                  | 10,529                         |
| Transfers-In  | 22,054                    |                        | 22,054                         |
| Net Receipts Over Disbursements                                     | 30,758                    | 1,825                  | 32,583                         |
| Fund Cash Balances, January 1                                       | 584,451                   |                        | 584,451                        |
| <b>Fund Cash Balances, December 31</b>                              | <b><u>\$615,209</u></b>   | <b><u>\$1,825</u></b>  | <b><u>\$617,034</u></b>        |

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

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|  | <u>Governmental Fund Types</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|-----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>  |                                |                            |                             |   |
| Property and Local Taxes   | \$18,605                       |                            |                             | \$18,605                                |
| Intergovernmental  | 96,786                         | \$33,799                   |                             | 130,585                                 |
| Fines, Licenses and Permits  | 9,898                          |                            |                             | 9,898                                   |
| Earnings on Investments  | 13,140                         | 1,428                      |                             | 14,568                                  |
| Miscellaneous  | 25,041                         | 210                        |                             | 25,251                                  |
|  | <u>163,470</u>                 | <u>35,437</u>              |                             | <u>198,907</u>                          |
| <b>Cash Disbursements:</b>   |                                |                            |                             |   |
| Current:   |                                |                            |                             |   |
| Security of Persons and Property   | 97,174                         |                            |                             | 97,174                                  |
| Community Environment  | 2,279                          |                            |                             | 2,279                                   |
| Basic Utility Service  | 2,236                          | 3,683                      |                             | 5,919                                   |
| Transportation   | 4,559                          | 45,694                     |                             | 50,253                                  |
| General Government   | 44,656                         | 639                        |                             | 45,295                                  |
| Capital Outlay   | 3,730                          |                            | \$53,000                    | 56,730                                  |
|  | <u>154,634</u>                 | <u>50,016</u>              | <u>53,000</u>               | <u>257,650</u>                          |
| Total Cash Disbursements   | <u>154,634</u>                 | <u>50,016</u>              | <u>53,000</u>               | <u>257,650</u>                          |
| Total Receipts Over/(Under) Disbursements  | <u>8,836</u>                   | <u>(14,579)</u>            | <u>(53,000)</u>             | <u>(58,743)</u>                         |
| <b>Other Financing Receipts / (Disbursements):</b>   |                                |                            |                             |   |
| Sale of Capital Assets   |                                |                            | 53,214                      | 53,214                                  |
| Transfers-Out  | (35,447)                       |                            |                             | (35,447)                                |
| Advances-In  | 36,826                         |                            |                             | 36,826                                  |
| Advances-Out   | (2,500)                        |                            |                             | (2,500)                                 |
| Other Financing Sources  | 2,000                          |                            |                             | 2,000                                   |
| Other Financing Uses   | (7,640)                        |                            |                             | (7,640)                                 |
|  | <u>(6,761)</u>                 |                            | <u>53,214</u>               | <u>46,453</u>                           |
| Total Other Financing Receipts / (Disbursements)   | <u>(6,761)</u>                 |                            | <u>53,214</u>               | <u>46,453</u>                           |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | 2,075                          | (14,579)                   | 214                         | (12,290)                                |
| Fund Cash Balances, January 1  | <u>31,629</u>                  | <u>50,021</u>              |                             | <u>81,650</u>                           |
| <b>Fund Cash Balances, December 31</b>   | <u><u>\$33,704</u></u>         | <u><u>\$35,442</u></u>     | <u><u>\$214</u></u>         | <u><u>\$69,360</u></u>                  |

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

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|   | <b>Proprietary<br/>Fund Type</b> |
|---|----------------------------------|
|   | <b>Enterprise</b>                |
| <b>Operating Cash Receipts:</b>   |                                  |
| Charges for Services  | \$552,045                        |
| Miscellaneous   | 79,101                           |
|   | 631,146                          |
| <b>Operating Cash Disbursements:</b>  |                                  |
| Personal Services   | 84,923                           |
| Employee Fringe Benefits  | 31,346                           |
| Contractual Services  | 357,642                          |
| Supplies and Materials  | 74,314                           |
| Other   | 2,080                            |
|   | 550,305                          |
| Operating Income  | 80,841                           |
| <b>Non-Operating Cash Receipts:</b>   |                                  |
| Intergovernmental   | 67,713                           |
| Miscellaneous Receipts  | 82                               |
|   | 67,795                           |
| <b>Non-Operating Cash Disbursements:</b>  |                                  |
| Capital Outlay  | 78,537                           |
| Redemption of Principal   | 16,134                           |
| Interest and Other Fiscal Charges   | 60,345                           |
| Other Non-Operating Cash Disbursements  | 18,327                           |
|   | 173,343                          |
| Excess of Receipts Under Disbursements<br>Before Interfund Transfers and Advances | (24,707)                         |
| Transfers-In  | 35,447                           |
| Advances-In   | 2,500                            |
| Advances-Out  | (36,826)                         |
|   | (23,586)                         |
| Net Receipts Under Disbursements  | (23,586)                         |
| Fund Cash Balances, January 1   | 608,037                          |
| <b>Fund Cash Balances, December 31</b>  | <b>\$584,451</b>                 |

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

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Republic, Seneca County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and electric utilities, and police services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Cash**

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**3. Capital Project Fund**

This fund accounts 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:

Capital Project Fund – This fund received proceeds from the sale of the Village maintenance building. The proceeds were used to construct a new maintenance building.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs. This fund also receives state and federal funds to finance a water and sewer plant expansion project.

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

**5. Fiduciary Fund**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court.

**E. Budgetary Process**

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

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH**

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

|                         | <u>2007</u>      | <u>2006</u>      |
|-------------------------|------------------|------------------|
| Demand deposits         | \$343,919        | \$353,811        |
| Certificates of deposit | 300,000          | 300,000          |
| Total deposits          | <u>\$643,919</u> | <u>\$653,811</u> |

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

| 2007 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$179,698            | \$169,373          | (\$10,325) |
| Special Revenue                   | 51,332               | 31,786             | (19,546)   |
| Enterprise                        | 694,293              | 687,152            | (7,141)    |
| Fiduciary                         | 8,100                | 9,467              | 1,367      |
| Total                             | \$933,423            | \$897,778          | (\$35,645) |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$213,402                  | \$194,609                 | \$18,793  |
| Special Revenue                                       | 86,775                     | 54,115                    | 32,660    |
| Capital Projects                                      | 214                        | 110                       | 104       |
| Enterprise  | 953,744                    | 656,394                   | 297,350   |
| Fiduciary   | 8,100                      | 7,642                     | 458       |
| Total   | \$1,262,235                | \$912,870                 | \$349,365 |

| 2006 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$207,420            | \$165,470          | (\$41,950) |
| Special Revenue                   | 41,014               | 35,437             | (5,577)    |
| Capital Projects                  |                      | 53,214             | 53,214     |
| Enterprise                        | 505,000              | 734,388            | 229,388    |
| Total                             | \$753,434            | \$988,509          | \$235,075  |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$239,103                  | \$197,721                 | \$41,382  |
| Special Revenue                                       | 114,672                    | 50,016                    | 64,656    |
| Capital Projects                                      | 308                        | 53,000                    | (52,692)  |
| Enterprise  | 1,016,941                  | 723,648                   | 293,293   |
| Total   | \$1,371,024                | \$1,024,385               | \$346,639 |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Project Fund by \$52,692 and the Electric Fund by \$109,084 for the year ended December 31, 2006. Also contrary to Ohio law, the Village did not certify all funds.



**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

**5. DEBT**

Debt outstanding at December 31, 2007, was as follows:

|                                     | <u>Principal</u>   | <u>Interest Rate</u> |
|-------------------------------------|--------------------|----------------------|
| Ohio Public Works Commission Loan   | \$5,666            | 0%                   |
| Sewer System Mortgage Revenue Bonds | 1,313,900          | 4.50%                |
| Total                               | <u>\$1,319,566</u> |                      |

The Ohio Water Works Commission (OPWC) loan relates to a valve replacement project. The OPWC approved up to \$28,338 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$1,416.90 over 10 years. The loan is collateralized by water and sewer receipts.

Proceeds from the Sewer System Mortgage Revenue Bonds were used to finance the water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The United States Department of Agriculture (USDA) through Rural Development purchased the bonds through the Village to pay off the OWDA loan in full. The USDA determined the scheduled payments based on the amounts actually borrowed. The loan is collateralized by sewer receipts.

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. DEBT – (CONTINUED)**

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

| Year ending December 31: | OPWC Loan | Sewer System<br>Mortgage Bonds |
|--------------------------|-----------|--------------------------------|
| 2008                     | \$2,834   | \$73,587                       |
| 2009                     | 2,832     | 73,582                         |
| 2010                     |           | 73,603                         |
| 2011                     |           | 73,592                         |
| 2012                     |           | 73,603                         |
| 2013-2017                |           | 367,974                        |
| 2018-2022                |           | 368,039                        |
| 2023-2027                |           | 367,923                        |
| 2028-2032                |           | 367,808                        |
| 2033-2037                |           | 368,006                        |
| 2038-2042                |           | 367,948                        |
| 2043-2045                |           | 147,178                        |
| Total                    | \$5,666   | \$2,722,843                    |

**6. RETIREMENT SYSTEMS**

The Village's full-time Police Officer belongs to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of the full-time police members' wages. For 2007 and 2006, OPERS members contributed 9.50% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Commercial Umbrella/Excess Liability;
- Vehicles; and
- Electronic Data Processing.

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. JOINT VENTURE**

The Village of Republic is a Financing Participant with an ownership percentage of .08 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007, Republic has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$7,160 at December 31, 2007. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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# Mary Taylor, CPA

Auditor of State

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

Village of Republic  
Seneca County  
219 Washington Street  
P.O. Box 219  
Republic, Ohio 44867-0219

To the Village Council:

We have audited the financial statements of the Village of Republic, Seneca County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 16, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 16, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 16, 2008

VILLAGE OF REPUBLIC  
SENECA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D)(1), states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the Fiscal Officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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

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

Amounts less than \$3,000 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 Council.

2. **Blanket Certificate** – Fiscal Officers may prepare 'blanket' certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Council 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 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.

Forty percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2007-001  
 (Continued)**

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer and recorded against appropriations.

**Officials Response**

The Village agrees with the finding. This matter is in the process of being corrected with notable improvements made in 2007.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

At December 31, 2006, the following funds had expenditures exceeding appropriations:

| Fund                         | Appropriations | Expenditures | Excess      |
|------------------------------|----------------|--------------|-------------|
| <b>Capital Projects Fund</b> |                |              |             |
| Capital Project Fund         | \$308          | \$53,000     | (\$52,692)  |
| <b>Enterprise Fund</b>       |                |              |             |
| Electric Fund                | \$297,070      | \$406,154    | (\$109,084) |

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

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials Response**

The Village agrees with the finding. This matter is in the process of being corrected with notable improvements made in 2007.



**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2005-001       | Finding for Recovery - Credit Card Charges, finding made against the former Fiscal Officer in the amount of \$1,161.85 | No               | The Village received \$5,000 from the insurance company from the former Fiscal Officer's bond. The remaining portion is unpaid.        |
| 2005-002       | Finding for Recovery - Utility Deposits, finding made against the former Fiscal Officer in the amount of \$2,767.73.   | No               | The Village received \$5,000 from the insurance company from the former Fiscal Officer's bond. The remaining portion is unpaid.        |
| 2005-003       | Finding for Recovery - Payroll, finding made against the former Fiscal Officer in the amount of \$29,478.13.           | No               | The Village received \$5,000 from the insurance company from the former Fiscal Officer's bond. The remaining portion is unpaid.        |
| 2005-004       | Finding for Recovery - Accounting, finding made against the former Fiscal Officer in the amount of \$9,113.67.         | No               | The Village received \$5,000 from the insurance company from the former Fiscal Officer's bond. The remaining portion is unpaid.        |
| 2005-005       | Ohio Revised Code §5705.41(D)(1), failure to certify funds.  | No               | Not corrected. Repeated as Finding #2007-001 in this report.   |
| 2005-006       | Ohio Revised Code §5705.41(B), expenditures exceeded appropriations.   | No               | Not corrected. Repeated as Finding #2007-002 in this report.   |
| 2005-007       | Ohio Revised Code §5705.34, taxes not certified by the required date.  | Yes              |  |
| 2005-008       | Ohio Revised Code §5705.36(A)(1), the Fiscal Officer did not certify the total amount from all sources.                | Yes              |  |
| 2005-009       | Ohio Revised Code §5705.38, the Annual Appropriations were not passed timely.  | Yes              |  |

Village of Republic  
 Seneca County  
 Schedule of Prior Audit Findings  
 Page 2

|          |  |     |  |
|----------|--|-----|--|
| 2005-010 | Ohio Revised Code §4111.03, overtime was not paid in accordance with this section.   | Yes |  |
| 2005-011 | Village Ordinance #2001-04, kilowatt tax was not transferred from the General Fund to the Electric Fund.                       | Yes |  |
| 2005-012 | Bank Reconciliations/Monthly Reports – These reports were not reviewed and acknowledged by Council.                            | Yes |  |
| 2005-013 | Minutes – Minutes were not attested by the Mayor or Council President on a timely manner.                                      | Yes |  |
| 2005-014 | Utility Data Offsite Backups – Village was not storing backups in a secure off-site location daily.                            | Yes |  |
| 2005-015 | Revenues – Several errors were made in posting revenues.   | Yes |  |
| 2005-016 | Vacation and Sick Leave Records – No sick leave and vacation records maintained.   | Yes |  |
| 2005-017 | Utility Adjustments – No written policy outlining allowable adjustments and person authorized to approve customer adjustments. | Yes |  |
| 2005-018 | Personnel Policy – Personnel policy has not been revised or updated since March 2, 1998.                                       | Yes |  |
| 2005-019 | Expenditure Approval – The Village Administrator did not approve all purchase orders or blanket certificates.                  | Yes |  |

Village of Republic  
Seneca County  
Schedule of Prior Audit Findings  
Page 3

|          |  |     |   |
|----------|--|-----|---|
| 2005-020 | Collection Policy – No policy adopted for guidelines to collect delinquent accounts.       | Yes |   |
| 2005-021 | Credit Card Policy – No credit card policy adopted.  | Yes |   |
| 2005-022 | Payroll Approval – The Fiscal Officer’s bi-weekly payroll sheets be approved by the Mayor. | Yes |   |
| 2005-023 | Capital Assets – No inventory records of capital assets maintained.                        | No  | Not corrected. Will not repeat due to this being recommended in the last several audits with no action. |
| 2005-024 | Audit Committee – The committee did not meet as such.                                      | Yes |   |
| 2005-025 | Safeguarding Deposits – The Village did not periodically review safeguarding of deposits.  | Yes |   |
| 2005-026 | Disaster Recovery Plan – No disaster recovery plan approved.                               | Yes |   |
| 2005-027 | Cell Phone Policy – No cell phone policy adopted.  | Yes |   |





**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF REPUBLIC

SENECA 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  
AUGUST 12, 2008