

**VILLAGE OF WARSAW
COSHOCKTON COUNTY
Regular Audit
December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Warsaw
322 Mill Street
P.O. Box 399
Warsaw, Ohio 43844

We have reviewed the *Independent Accountants' Report* of the Village of Warsaw, Coshocton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. 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 Accountants' 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 21, 2011

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**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT ACCOUNTANTS' REPORT

August 19, 2011

Village of Warsaw
Coshocton County
322 Mill Street
PO Box 399
Warsaw, OH 43844

To the Village Council:

We have audited the accompanying financial statements of **Village of Warsaw**, Coshocton County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. 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.

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 the 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, 2010 and 2009 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, 2010 and 2009 or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Warsaw, Coshocton County, Ohio, as of December 31, 2010 and 2009, 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 August 19, 2011, 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 WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$ 43,788 | \$ 7,025 | \$ - | \$ 50,813 |
| Intergovernmental | 41,615 | 30,727 | - | 72,342 |
| Charges for Services | 13,776 | 89,757 | - | 103,533 |
| Fines, Licenses, and Permits | 4,842 | - | - | 4,842 |
| Earnings on Investments | 534 | 30 | 62 | 626 |
| Miscellaneous | 1,222 | 33,290 | 1,000 | 35,512 |
| | <u>105,777</u> | <u>160,829</u> | <u>1,062</u> | <u>267,668</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 35,931 | - | - | 35,931 |
| Public Health Services | - | 13,420 | - | 13,420 |
| Leisure Time Activities | 5,279 | 91,086 | - | 96,365 |
| Community Environment | 4,751 | - | - | 4,751 |
| Basic Utility Services | 5,959 | - | - | 5,959 |
| Transportation | - | 29,968 | - | 29,968 |
| General Government | 29,790 | 1,959 | - | 31,749 |
| Debt Service: | | | | |
| Redemption of Principal | - | 5,645 | - | 5,645 |
| Interest and Fiscal Charges | - | 272 | - | 272 |
| | <u>81,710</u> | <u>142,350</u> | <u>-</u> | <u>224,060</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>24,067</u> | <u>18,479</u> | <u>1,062</u> | <u>43,608</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Transfer-Out | (50) | - | - | (50) |
| Other Sources | 680 | - | - | 680 |
| Other Uses | - | (2,990) | - | (2,990) |
| | <u>630</u> | <u>(2,990)</u> | <u>-</u> | <u>(2,360)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 24,697 | 15,489 | 1,062 | 41,248 |
| Fund Cash Balances, January 1 | <u>108,751</u> | <u>78,281</u> | <u>27,472</u> | <u>214,504</u> |
| Fund Cash Balances, December 31 | <u>\$ 133,448</u> | <u>\$ 93,770</u> | <u>\$ 28,534</u> | <u>\$ 255,752</u> |
| Reserve for Encumbrances, December 31 | <u>\$ -</u> | <u>\$ 10</u> | <u>\$ -</u> | <u>\$ 10</u> |

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Proprietary Fund Type | | Totals (Memorandum Only) |
|---|----------------------------------|-----------------------------|---|
| | Enterprise | Internal Service | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 190,341 | \$ - | \$ 190,341 |
| Total Operating Revenues | <u>190,341</u> | <u>-</u> | <u>190,341</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 75,284 | - | 75,284 |
| Fringe Benefits | 18,764 | 10,362 | 29,126 |
| Contractual Services | 48,178 | - | 48,178 |
| Supplies and Materials | 40,636 | - | 40,636 |
| Total Operating Cash Disbursements | <u>182,862</u> | <u>10,362</u> | <u>193,224</u> |
| Operating Income (Loss) | <u>7,479</u> | <u>(10,362)</u> | <u>(2,883)</u> |
| Non-Operating Cash Receipts/(Disbursements): | | | |
| Miscellaneous | 165 | - | 165 |
| Capital Outlay | (844) | - | (844) |
| Redemption of Principal | (10,804) | - | (10,804) |
| Interest and Other Fiscal Charges | (2,074) | - | (2,074) |
| Other Financing Uses | - | 10,000 | 10,000 |
| Total Non-Operating Cash Receipts/(Disbursements) | <u>(13,557)</u> | <u>10,000</u> | <u>(3,557)</u> |
| Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers | (6,078) | (362) | (6,440) |
| Transfer-In | <u>50</u> | <u>-</u> | <u>50</u> |
| Net Receipts Over/(Under) Cash Disbursements | (6,028) | (362) | (6,390) |
| Fund Cash Balances, January 1 | <u>193,297</u> | <u>362</u> | <u>193,659</u> |
| Fund Cash Balances, December 31 | <u>\$ 187,269</u> | <u>\$ -</u> | <u>\$ 187,269</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 21</u> | <u>\$ -</u> | <u>\$ 21</u> |

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$ 40,633 | \$ 7,716 | \$ - | \$ 48,349 |
| Intergovernmental | 80,848 | 35,208 | - | 116,056 |
| Charges for Services | 20,195 | 81,763 | - | 101,958 |
| Fines, Licenses, and Permits | 5,363 | - | - | 5,363 |
| Earnings on Investments | 434 | 47 | 98 | 579 |
| Miscellaneous | 729 | 29,825 | 960 | 31,514 |
| | <u>148,202</u> | <u>154,559</u> | <u>1,058</u> | <u>303,819</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 34,208 | - | - | 34,208 |
| Public Health Services | - | 16,033 | 2,000 | 18,033 |
| Leisure Time Activities | 1,627 | 100,077 | - | 101,704 |
| Community Environment | 5,066 | 3,518 | - | 8,584 |
| Basic Utility Services | 5,895 | - | - | 5,895 |
| Transportation | - | 27,453 | - | 27,453 |
| General Government | 42,580 | - | - | 42,580 |
| Debt Service: | | | | |
| Redemption of Principal | 592 | 5,914 | - | 6,506 |
| Interest and Fiscal Charges | 3 | 534 | - | 537 |
| | <u>89,971</u> | <u>153,529</u> | <u>2,000</u> | <u>245,500</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>58,231</u> | <u>1,030</u> | <u>(942)</u> | <u>58,319</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Transfer-Out | (83) | - | - | (83) |
| Other Sources | 2,440 | 872 | - | 3,312 |
| Other Uses | - | (2,988) | - | (2,988) |
| | <u>2,357</u> | <u>(2,116)</u> | <u>-</u> | <u>241</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 60,588 | (1,086) | (942) | 58,560 |
| Fund Cash Balances, January 1 | <u>48,163</u> | <u>79,367</u> | <u>28,414</u> | <u>155,944</u> |
| Fund Cash Balances, December 31 | <u>\$ 108,751</u> | <u>\$ 78,281</u> | <u>\$ 27,472</u> | <u>\$ 214,504</u> |
| Reserve for Encumbrances, December 31 | <u>\$ -</u> | <u>\$ 10</u> | <u>\$ -</u> | <u>\$ 10</u> |

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Proprietary Fund Type | | Totals (Memorandum Only) |
|---|----------------------------------|-----------------------------|---|
| | Enterprise | Internal Service | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 193,896 | \$ - | \$ 193,896 |
| Total Operating Revenues | <u>193,896</u> | <u>-</u> | <u>193,896</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 72,992 | - | 72,992 |
| Fringe Benefits | 18,194 | 9,638 | 27,832 |
| Contractual Services | 56,460 | - | 56,460 |
| Supplies and Materials | 38,865 | - | 38,865 |
| Total Operating Cash Disbursements | <u>186,511</u> | <u>9,638</u> | <u>196,149</u> |
| Operating Income (Loss) | <u>7,385</u> | <u>(9,638)</u> | <u>(2,253)</u> |
| Non-Operating Cash Receipts/(Disbursements): | | | |
| Earnings on Investments | 2,004 | - | 2,004 |
| Miscellaneous | 426 | - | 426 |
| Capital Outlay | (590) | - | (590) |
| Redemption of Principal | (10,634) | - | (10,634) |
| Interest and Other Fiscal Charges | (2,243) | - | (2,243) |
| Other Financing Sources | - | 10,000 | 10,000 |
| Total Non-Operating Cash Receipts/(Disbursements) | <u>(11,037)</u> | <u>10,000</u> | <u>(1,037)</u> |
| Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers | (3,652) | 362 | (3,290) |
| Transfer-In | <u>83</u> | <u>-</u> | <u>83</u> |
| Net Receipts Over/(Under) Cash Disbursements | (3,569) | 362 | (3,207) |
| Fund Cash Balances, January 1 | <u>196,866</u> | <u>-</u> | <u>196,866</u> |
| Fund Cash Balances, December 31 | <u>\$ 193,297</u> | <u>\$ 362</u> | <u>\$ 193,659</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 21</u> | <u>\$ -</u> | <u>\$ 21</u> |

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Warsaw, Coshocton County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and provides general governmental services, street construction and maintenance, water and sewer utility services, park operations (leisure time activities), and police services.

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

B. 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 that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

Parks and Recreation Funds - These funds receive money from pool admissions and passes, and rental of the park facilities. The Village park and pool is operated and maintained using these monies.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds (Trust Funds)

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

4. Enterprise Funds

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

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

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

5. Internal Service Fund

This fund accounts for services provided by one department to other departments of the Village. The Village had the following Internal Service Fund:

Self-funded Insurance Medical Fund – This fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. Village 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.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

| | | |
|-------------------------|------------|------------|
| | 2010 | 2009 |
| Demand Deposits | \$ 174,625 | \$ 151,807 |
| Certificates of Deposit | 268,396 | 256,356 |
| Total Deposits | \$ 443,021 | \$ 408,163 |

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 103,148 | \$ 106,457 | \$ 3,309 |
| Special Revenue | 170,541 | 160,829 | (9,712) |
| Permanent | 1,683 | 1,062 | (621) |
| Enterprise | 205,129 | 190,556 | (14,573) |
| Internal Service | 10,000 | 10,000 | 0 |
| Total | \$ 490,501 | \$ 468,904 | \$ (21,597) |

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-------------------|
| General | \$ 170,509 | \$ 81,760 | \$ 88,749 |
| Special Revenue | 248,693 | 145,350 | 103,343 |
| Permanent | 29,155 | - | 29,155 |
| Enterprise | 398,394 | 196,605 | 201,789 |
| Internal Service | 10,362 | 10,362 | 0 |
| Total | <u>\$ 857,113</u> | <u>\$ 434,077</u> | <u>\$ 423,036</u> |

2009 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-----------------|
| General | \$ 104,559 | \$ 150,642 | \$ 46,083 |
| Special Revenue | 190,400 | 155,431 | (34,969) |
| Permanent | 1,224 | 1,058 | (166) |
| Enterprise | 203,948 | 196,409 | (7,539) |
| Internal Service | 10,600 | 10,000 | (600) |
| Total | <u>\$ 510,731</u> | <u>\$ 306,073</u> | <u>\$ 2,809</u> |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-------------------|
| General | \$ 151,767 | \$ 90,054 | \$ 61,713 |
| Special Revenue | 268,820 | 156,527 | 112,293 |
| Permanent | 29,638 | 2,000 | 27,638 |
| Enterprise | 400,814 | 199,999 | 200,815 |
| Internal Service | 10,000 | 9,638 | 362 |
| Total | <u>\$ 861,039</u> | <u>\$ 458,218</u> | <u>\$ 402,821</u> |

4. PROPERTY TAX

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

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

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. DEBT

The Village's debt activity for the years ended December 31, 2009 and 2010 was as follows:

| | | Principal Outstanding 12/31/2008 | 2009 Payments | Principal Outstanding 12/31/2009 | 2010 Payments | Principal Outstanding 12/31/2010 |
|---------------------------------------|--|--|------------------|--|------------------|--|
| Governmental Activities: | | | | | | |
| Ohio Heritage | 2004 Truck Loan - 3.45% | \$ 618 | \$ 618 | \$ - | \$ - | \$ - |
| Chase | 1999 Post Office Building Loan - 4.75% | 592 | 592 | - | - | - |
| Chase | 2005 Street Paving Bond - 4.25% | 10,941 | 5,296 | 5,645 | 5,645 | - |
| Total Governmental Activities: | | <u>\$ 12,151</u> | <u>\$ 6,506</u> | <u>\$ 5,645</u> | <u>\$ 5,645</u> | <u>\$ -</u> |
| Business-Type Activities: | | | | | | |
| Chase | 1999 Sanitary Sewer Loan - 4.75% | <u>\$ 66,821</u> | <u>\$ 10,634</u> | <u>\$ 56,187</u> | <u>\$ 10,804</u> | <u>\$ 45,383</u> |

The Truck Loan is with Ohio Heritage, due February 2009 with interest at 3.45%. The minimum payment is \$347 per month. This was used to purchase a 2001 truck.

The Post Office Loan is with Chase, due March 2009 with interest of 4.75%. The minimum payment is \$229 per month. This was used to purchase the old Village post office.

The Street Paving bond in the amount of \$29,476 issued in 2005 has five annual payments of \$6,668 that will be made from the Resurfacing Fund and Street Construction Maintenance and Repair fund.

The Sanitary Sewer Loan is with Chase, due February 2015 with interest of 4.75%. The minimum payment is \$1,073 per month. This was used to perform sewer projects.

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The prior audit report outstanding balance as of December 31, 2008 was misstated for the Post Office Loan and the Street Paving Loan. The corrected outstanding balances of \$592 and \$10,941, respectively, are reflected above.

The following is a summary of the Village's future annual debt service requirements (principal and interest):

| Year | Sanitary Sewer Loan |
|--------|------------------------|
| 2011 | \$12,877 |
| 2012 | 12,877 |
| 2013 | 12,877 |
| 2014 | 12,877 |
| 2015 | 1,165 |
| Totals | <u>\$52,673</u> |

**VILLAGE OF WARSAW
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. DEBT (Continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

6. LEASES

Principal lease payments for a John Deere tractor were \$2,710 in 2009 and \$2,863 in 2010. Future lease payments including interest are as follows:

| Year | John Deere <u>Tractor</u> |
|-------|------------------------------|
| 2011 | 498 |
| Total | <u>\$498</u> |

7. RETIREMENT SYSTEMS

The Village's Mayor, Fiscal Officer, and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2010 and 2009, members of OPERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require funding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. RESTATEMENT OF FUND BALANCE

For the year ended December 31, 2008, the Village reported the Self-funded Insurance Medical Fund as an Agency Fund. The Village determined that it falls under the description of an Internal Service Fund rather than an Agency Fund.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

August 19, 2011

Village of Warsaw
Coshocton County
322 Mill Street
PO Box 399
Warsaw, OH 43844

To the Village Council:

We have audited the financial statements of **Village of Warsaw**, Coshocton County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 19, 2011, 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 as described in the accompanying schedule of audit findings to be a material weakness.

Village of Warsaw
Coshocton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-001

Material Weakness

Accounting for Receipts

Monitoring controls are procedures and supervisory activities performed by management to help ensure that management's objectives are being achieved, including the objective of assuring accurate and reliable financial reports for external reporting purposes. Effective monitoring controls should enable management to identify misclassifications, errors, and omissions in financial reports.

The Fiscal Officer did not accurately post all receipts to the Village's accounting ledgers. The following posting errors were noted:

- Homestead and Rollback receipts were posted as tax revenues
- Public utility reimbursement was posted as miscellaneous revenues
- Real Estate tax settlements were posted as intergovernmental revenues
- Self-funded Insurance Medical Fund was classified as an Agency Fund rather than an Internal Service Fund

The accompanying financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper classification of receipts.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF WARSAW
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2008-001 | Posting of receipts and disbursements to the proper account codes. | No | Partially Corrected – Repeated as Finding 2010-001 |
| 2008-002 | Approval of Timesheets | Yes | Corrected |



Dave Yost • Auditor of State

VILLAGE OF WARSAW

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2011