



**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

NON-GAGAS AUDIT

FOR THE YEARS ENDED DECEMBER 31 2004 AND 2003



**Auditor of State
Betty Montgomery**

VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Woodstock
Champaign County
P.O. Box 134
Woodstock, Ohio 43084

To the Village Council:

We have reviewed the accounts, financial records, files, and reports of the Village of Woodstock, Champaign County, (the "Village"), as of and for the years ended December 31, 2004 and 2003 following Ohio Admin. Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

August 7, 2006

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**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$11,589	\$1,681		\$13,270
Intergovernmental Receipts	18,241	11,910		30,151
Fines, Licenses, and Permits	140			140
Earnings on Investments	733			733
Miscellaneous	735			735
Total Cash Receipts	<u>31,438</u>	<u>13,591</u>		<u>45,029</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	4,200			4,200
Public Health Services	244			244
Leisure Time Activities		158		158
Community Environment	60			60
Transportation		10,037		10,037
General Government	26,167			26,167
Total Cash Disbursements	<u>30,671</u>	<u>10,195</u>		<u>40,866</u>
Total Receipts Over Disbursements	<u>767</u>	<u>3,396</u>		<u>4,163</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		50		50
Transfers-Out	(50)			(50)
Total Other Financing Receipts/(Disbursements)	<u>(50)</u>	<u>50</u>		
Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	717	3,446		4,163
Fund Cash Balances, January 1	<u>(2,336)</u>	<u>20,608</u>	<u>23,862</u>	<u>42,134</u>
Fund Cash Balances, December 31	<u><u>(\$1,619)</u></u>	<u><u>\$24,054</u></u>	<u><u>\$23,862</u></u>	<u><u>\$46,297</u></u>

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

**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$105,304		\$105,304
Total Operating Cash Receipts	<u>105,304</u>		<u>105,304</u>
Operating Cash Disbursements:			
Personal Services	2,830		2,830
Contractual Services	29,948		29,948
Other	1,222		1,222
Supplies and Materials	6,620		6,620
Total Operating Cash Disbursements	<u>40,620</u>		<u>40,620</u>
Operating Income	<u>64,684</u>		<u>64,684</u>
Non-Operating Cash Disbursements:			
Debt Service	42,693		42,693
Interest	12,423		12,423
Total Non-Operating Cash Disbursements	<u>55,116</u>		<u>55,116</u>
Excess of Receipts Over Disbursements	9,568		9,568
Fund Cash Balances, January 1	<u>38,356</u>	<u>18,830</u>	<u>57,186</u>
Fund Cash Balances, December 31	<u><u>\$47,924</u></u>	<u><u>\$18,830</u></u>	<u><u>\$66,754</u></u>

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

**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,742	\$1,572		\$11,314
Intergovernmental Receipts	18,381	10,587		28,968
Charges for Services	516			516
Fines, Licenses, and Permits	35			35
Earnings on Investments	972			972
Miscellaneous	511	1,021		1,532
	<u>30,157</u>	<u>13,180</u>		<u>43,337</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,150			3,150
Leisure Time Activities		1,348		1,348
Community Environment	60			60
Transportation		7,694		7,694
General Government	32,566			32,566
	<u>35,776</u>	<u>9,042</u>		<u>44,818</u>
Total Cash Disbursements	<u>35,776</u>	<u>9,042</u>		<u>44,818</u>
Total Receipts Over/(Under) Disbursements	(5,619)	4,138		(1,481)
Fund Cash Balances, January 1	<u>3,283</u>	<u>16,470</u>	<u>23,862</u>	<u>43,615</u>
Fund Cash Balances, December 31	<u><u>(\$2,336)</u></u>	<u><u>\$20,608</u></u>	<u><u>\$23,862</u></u>	<u><u>\$42,134</u></u>

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

**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$86,805		\$86,805
Miscellaneous	1,958		1,958
Total Operating Cash Receipts	88,763		88,763
Operating Cash Disbursements:			
Personal Services	2,493		2,493
Contractual Services	37,688		37,688
Supplies and Materials	756		756
Miscellaneous	565		565
Capital Outlay	696		696
Total Operating Cash Disbursements	42,198		42,198
Operating Income	46,565		46,565
Non-Operating Cash Disbursements:			
Debt Service	42,090		42,090
Interest	13,025		13,025
Total Non-Operating Cash Disbursements	55,115		55,115
Receipts (Under) Disbursements	(8,550)		(8,550)
Fund Cash Balances, January 1	46,906	18,830	65,736
Fund Cash Balances, December 31	\$38,356	\$18,830	\$57,186

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

**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Woodstock, Champaign County, (the "Village"), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including sewer utilities, park operations, and street construction maintenance and repair. The Village contracts with the Champaign County Sheriff's department to provide security of persons and property.

The Village is associated with one jointly governed organization, the Northeast Champaign County Fire District. The District is directed by an appointed five member Board of Trustees. One member is appointed by each political subdivision within the Fire District. Those subdivisions are Rush Township, Wayne Township, the Village of North Lewisburg, and the Village of Woodstock. The four subdivisions appoint a fifth member who only votes in the event of a tie vote.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village maintains all of its funds in interest bearing checking accounts.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue 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 WOODSTOCK
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through the enterprise fund). The Village had the following Capital Project Fund:

Permanent Improvement Fund – The source of the balance in this fund is in the process of being identified by the Village. The balance appears to be a combination of grant money and assessments paid in advance by residents for the construction of the sewer system.

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 Fund:

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

Loan Repayment Fund – This fund was established to account for the payment of the Water Pollution Control Loan Fund debt obligation disclosed in Note 5.

5. Agency Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency fund:

Escrow Fund – This fund was established by agreement with the Village of North Lewisburg to ensure payment to North Lewisburg for sewage treatment in the event of deficiencies in sewer collections.

E. Budgetary Process

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

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments required by Ohio law.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$113,051	\$99,320

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

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$31,438	\$31,438
Special Revenue	0	13,641	13,641
Enterprise	0	105,304	105,304
Total	\$0	\$150,383	\$150,383

**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,439	\$30,721	\$718
Special Revenue	8,050	10,195	(2,145)
Enterprise	88,901	95,736	(6,835)
Total	<u>\$128,390</u>	<u>\$136,652</u>	<u>(\$8,262)</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,448	\$30,157	(\$14,291)
Special Revenue	11,170	13,180	2,010
Enterprise	83,574	88,763	5,189
Total	<u>\$139,192</u>	<u>\$132,100</u>	<u>(\$7,092)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,539	\$35,776	\$8,763
Special Revenue	5,500	9,042	(3,542)
Enterprise	63,561	97,313	(33,752)
Total	<u>\$113,600</u>	<u>\$142,131</u>	<u>(\$28,531)</u>

4. PROPERTY TAX

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

**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	428,280	0.00%
Water Pollution Control Loan Fund	290,195	4.12%
Total	\$718,475	

The Ohio Water Pollution control Loan Fund (WPCLF) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The WPCLF approved \$372,000 in loans to the Village for this project. The loans will be repaid in semi-annual installments of \$27,600, including interest, over 20 years. The Ohio Public Works Commission (OPWC) paid \$7,147 of interest on the May 2001 (WPCLF) loan payment and does not anticipate paying any additional interest on behalf of the Village. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover WPCLF debt service requirements.

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

Year ending December 31:	WPCLF Loan	OPWC Loan	Total
2005	\$13,742	\$13,815	\$27,557
2006	27,485	27,631	55,116
2007	27,485	27,631	55,116
2008	27,485	27,631	55,116
2009	27,485	27,631	55,116
2010 - 2014	137,424	138,155	275,579
2015 - 2019	123,681	138,155	261,836
Subsequent		27,631	27,631
Total	\$384,787	\$428,280	\$813,067

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2004. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. SUBSEQUENT EVENTS

- A. Effective July 1, 2006, the Village began to collect a 1% income tax. This revenue will be recorded in the General Fund.
- B. On July 20, 2006, the Auditor of State's Office declared the Village to be in fiscal emergency. This fiscal emergency was the result of the Village having aggregate deficit funds as of December 31, 2005 and May 31, 2006 are \$14,947 and \$15,769 respectively.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Village of Woodstock
Champaign County
P.O. Box 134
Woodstock, Ohio 43084

To the Village Council:

We have reviewed the accounts, financial records, files, and reports of the Village of Woodstock, Champaign County, (the "Village"), as of and for the years ended December 31, 2004 and 2003 following the Ohio Admin. Code § 117-4-02.

Internal Control Over Financial Reporting

During our review of the internal control over financial reporting we noted certain matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing their assigned functions. These matters are described in the schedule of findings as items, 2004-014 through 2004-017.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2004-001 through 2004-013

We intend this report solely for the information and use of the management and Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 7, 2006

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**VILLAGE OF WOODSTOCK
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Thirty-seven of sixty sewer receipts that were selected for testing were not deposited until two or more days from the date of collection. The Village had not adopted a policy to address receipts not deposited following the date of receipt.

The Village should implement policies to help assure compliance with this Code Section and to help prevent the loss and/or misuse of public money.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 117.38 requires that cash-basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

The Village did not file the 2004 annual report until March 30, 2005. The Village should implement procedures to help assure the timely filing of annual reports which will prevent the payment of late filing fees.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 149.351(A) states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Board of Public Affairs Clerk (BPA) Clerk could not locate or reproduce the BPA Check Log for the month of June 2004.

The Village should implement control procedures to help assure that all records are maintained until approved for disposal by the Village Records Commission.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states, in pertinent part, that the monies paid into any fund shall be used only for which purpose such fund was established. The existence of a deficit fund cash balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

At December 31, 2004 and 2003, the General Fund had deficit balances of \$1,619 and \$2,336, respectively, and the Special Revenue Park Fund had deficits of \$9,087 and \$8,929, respectively.

As part of the review of financial reports, the Village Council should look for trends in fund activity that may be an indication of deficit spending. One key indicator of potential deficit spending is when actual resources are not at a level to cover current appropriations.

FINDING NUMBER 2004-005

Noncompliance Citation

Ohio Rev. Code Section 5705.34 states, in pertinent part, that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

The Village did not certify to the county budget commission the necessary tax levies for 2004 or 2003. The failure to certify tax levies could result in a loss of funding to the Village.

The Village Council should develop a checklist of the dates that budgetary documents are to be completed and submitted to the county auditor. The minutes should reflect the approval of budgetary documents by the Village Council.

FINDING NUMBER 2004-006

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in pertinent part, the total appropriation from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund taken together with all other outstanding appropriations do not exceed the total official estimate or amended official estimate.

During 2003, the Village did not receive the County Auditor's certificate that appropriations do not exceed estimated resources until December 2, 2003. During 2004, the Village did not receive a certificate of estimated resources from the County Auditor; therefore, they did not have approved resources to determine appropriations.

The failure to adopt appropriations based on an approved certificate of estimated resources could lead to deficit spending.

The Village Council should implement procedures to help assure that that annual appropriation resolution is not adopted until a certificate of estimated resources is received from the County Auditor. In addition, appropriations should be modified in a timely manner if the County Auditor certifies that appropriations exceed estimated resources.

FINDING NUMBER 2004-007

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village violated this requirement at year-end in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2004	Street Construction Fund	\$ 7,100	\$ 9,375	(\$2,275)
	Sewer Fund	33,785	39,398	(5,613)
2003	Street Construction Fund	4,600	7,002	(2,402)
	Park Fund	0	1,348	(1,348)

The Village Council should review budgetary reports to help identify potential instances where expenditures may exceed appropriations at the legal level and/or fund level. When potential negative variances are identified, spending should be reduced or appropriations should be increased provided adequate resources will be available to cover the expenditures. Evidence of the review of budgetary documents along with any appropriation modifications should be documented in the minutes.

FINDING NUMBER 2004-008

Noncompliance Citation

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

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

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

Amounts of less than \$3,000 (\$1,000, prior to, April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

- 2. Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

FINDING NUMBER 2004-008
(Continued)

- 3. Super Blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for all expenditures during the audit period. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village's Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-009

Noncompliance Citation

Ohio Rev. Code Section 5705.46 states in pertinent part, requires that each political subdivision may make expenditures for the payment of current payrolls upon the authority of a proper appropriation for such purpose, provided that the positions of such employees and their compensation have been determined prior thereto by resolution, ordinance, or in the manner provided by law.

During 2004 and 2003, the Village Council approved the actual payments of wages to employees. However, there was not evidence that Council had approved the rate of compensation for five employees and the Clerk. In addition, there was no evidence that Council had approved the hiring of four employees, or the rate of compensation for certain work performed by these individuals. The lack of documentation approving new employees and the pay rates for all employees could result in unauthorized compensation to individuals.

The Village should maintain written documentation of Council's approval of pay rates and the hiring of employees.

FINDING NUMBER 2004-010

Noncompliance Citation

Ohio Const. Art. XII, Section 5a, and **1982 Op. Atty. Gen. No. 82-031** require that interest earned on money derived from a motor vehicle license tax or fuel tax must follow the principal.

The Street Fund, State Highway Fund, and Permissive Motor Vehicle License Tax Fund did not receive interest income during 2004 and 2003. During 2004, the estimated interest that should have been earned by these funds is \$66, \$7, and \$147, respectively. During 2003, the estimated interest that should have been earned by these funds is \$78, \$8, and \$204.

The Village Council should monitor the recording of interest income to help assure it is being allocated to each fund that receives motor vehicle license tax or fuel tax revenue. The Village should consider allocating the 2004 and 2003 interest income to these funds.

FINDING NUMBER 2004-011

Noncompliance Citation

26 C.F.R. Sec. 1.6041- 1 requires that a Form 1099 be used to report all salaries, wages, commissions, and other forms of compensation for services rendered aggregating \$600 or more. The Village did not issue a Form 1099 to an independent contractor that was paid \$2,350 during 2003. The failure to issue a Form 1099 understates the individuals' tax liability and could result in the Village being liable for unpaid taxes, interest, and penalties.

At year-end, the Village should review expenditures to help identify those independent contractors that should receive a Form 1099 as a result of being paid \$600 or more during the year.

FINDING NUMBER 2004-012

Noncompliance Citation

The 1998 Ohio Water Pollution Control Loan Agreement (WPCLF), Section 4.3b, states that an annual report of the accounts and operations will be made to the Ohio Water Development Authority (OWDA) and the Environmental Protection Agency (EPA). **Section 5.4** requires the Village to provide through self insurance or obtain public liability insurance with reference to the Project Facilities in the minimum amounts of \$500,000 death or injury to one person and \$1,000,000 for personal injury or death for each occurrence in connection with the Project Facilities and \$5,000,000 for property damage for any occurrence in connection with the Project Facilities. The EPA and OWDA shall be made an additional insured under such policies. **Section 5.6** states that any insurance policy issued pursuant to Section 5.4 shall be written or endorsed to make losses, if any, payable to the State on behalf of the WPCLF and the Village, and the loss payable should be to OWDA and EPC per Section 5.6. Another debt covenant was that an annual report of the accounts and operations will be made to OWDA and EPA, Section 4.3b.

The Village did not file annual reports or obtain an insurance policy as prescribed in the WPCLF Agreement. The failure to comply with this debt agreement could result in the Village being required to repay the debt early or jeopardize future loans.

The Village Council should review the WPCLF Agreement and implement procedures to help assure compliance with the WPCLF Agreement.

FINDING NUMBER 2004-013

Noncompliance Citation

Village Ordinance #08-18-97A, dated August 1997, established user rates for wastewater collections and treatment, and established a dedicated loan repayment fund for annual debt service charges associated with the Water Pollution Control Loan Fund (WPCLF) loan. This Ordinance also established a monthly rate of \$49.80 per customer. This monthly rate was to be allocated to the WPCLF Fund (\$17.16), to non-WPCLF debt (\$18.34), to the Sewer Operating Fund (\$14.30).

The Village established the Loan Repayment Fund to account for the annual WPCLF debt service requirements. A fund was not established to account for the charges collected for non-WPCLF debt; however, this Ordinance is not clear as whether a separate fund was to be established for non-WPCLF debt which would pertain to the Village's Ohio Public Works Commission (OPWC) loan. During 2004 and 2003, the Village inconsistently allocated the monthly rate of \$49.80 to the Loan Repayment Fund and to the Sewer Operating Fund. With the exception of an OPWC payment made during 2003, in the amount of \$13,815, the WPCLF and OPWC debt was paid from the Loan Repayment Fund.

The Village Council review and possibly clarify the intent of this Ordinance. In addition, the Village should consider establishing a separate fund to account for utility charges collected for payment of non-WPCLF debt. The Village Council should monitor fund activity to help assure that utility charges and debt payments are being allocated to the correct fund(s).

FINDING NUMBER 2004-014

Monitoring of the Utility Billing and Receipt Process

To help reduce the risk that errors and/or irregularities could occur and not be detected in a timely manner, an entity's governing body should develop policies and procedures for the billing and collection of utility revenue. The Village had one employee that was responsible for all aspects of the sewer billing and collection process. This employee did not have a process for establishing new accounts and did not maintain separate individual customer account ledgers. In some instances the monthly "Accounts and Balances Report" did not foot.

The Village should require a prescribed form for use when establishing customer accounts. In addition, account information that shows the beginning balance, current charges, payments, ending balance, and other pertinent information should be maintained for each customer. The Village Council should occasionally perform an in depth review of the utility cycle to help assure compliance with adopted policies and procedures, to verify that reports are mathematically correct, and to identify other potential errors and/or irregularities. These procedures should be in addition to the other monitoring procedures performed by the Village Council.

FINDING NUMBER 2004-015

Payroll Ledgers

To provide a standardized documentation process and to provide support for the wages paid, a payroll ledger should be maintained that reflects detailed information for each payroll transaction for each employee. The Village did not maintain payroll ledgers for fiscal years 2003 and 2004. Although there was indication in the cash ledger of payment to the Village employees and officials, the information was posted at net and there were no other records reconciling the net amount to the gross amount that was earned.

The lack of a detail payroll register and journal could result in unauthorized payments to employees and officials, and limit the ability to determine if payroll is being issued properly, or if withholdings are being remitted accurately and to the appropriate agency. Inadequate payroll records could also cause a problem verifying length of service for officials and employees for retirement purposes.

The Village should complete and maintain payroll ledgers indicating employee name, gross pay, deductions, net pay, payroll check number, and fund charged for the expenditure. The Village Council should initial and date the time cards of employees as certification and approval of the hours worked. Monitoring procedures should be implemented to help assure that payroll ledgers are maintained by the Fiscal Officer.

FINDING NUMBER 2004-016

Accounting Records

To help provide accountability over financial transactions an entity should have bank-to-book reconciliations performed on a monthly basis that include all accounts belonging to the under the control of the entity. The cash book should be reconciled to the receipts ledger and the appropriations ledger on a monthly basis. Procedures should be in place to help assure the accuracy of recorded expenditures along with the requirement for supporting documentation. During 2004 and 2003, the following deficiencies were noted in the accounting records:

- Bank-to-book reconciliations were not performed for 2004 and 2003 until 2005;
- Receipt and expenditures ledgers were not prepared during 2004 and 2003
- Monthly receipt totals were not computed in the cash journal;
- Monthly expenditure totals were not computed in the cash journal;
- The cash basis report fund balances did not agree to the book fund balances;
- Check numbers did not agree or were not listed in the accounting records, late fees were paid, adequate documentation did not exist to support the expenditure, checks were issued out of sequence, checks were recorded in the wrong year, and check amounts did not agree to the accounting ledgers or posted to the wrong line item account or fund; and,
- There was no indication that Council was reviewing bank-to-book reconciliations.

As a result of these deficiencies, the Village incurred additional audit costs and had to contract for assistance in correcting the accounting records. In addition, the failure to correct these deficiencies could result in the loss of financial resources through errors and/or irregularities.

To strengthen internal accounting controls, to reduce errors, and to provide management with reasonable assurance that all procedures are functioning properly, the following should be considered:

- Receipt and expenditure ledgers should be maintained through out the year;
- The receipt book should be agreed to the receipt ledger;
- Monthly totals in the cashbook should be agreed to the monthly totals in the receipt and appropriation journals;

**FINDING NUMBER 2004-016
(Continued)**

- The cashbook should be reconciled to the monthly bank statement;
- Bank-to-book reconciliations should be performed on a monthly basis and be reviewed by Council, along with the list of outstanding checks. The reconciled bank balance should be compared with the cashbook balance to ensure the amounts correspond; the balance of the cashbook should be reviewed to ensure that all active and invested money under the control of the Village is included; and the prior month's bank statement should be reviewed to verify the prior month's reconciling items, such as deposits in transit and outstanding checks were accurately stated;
- A detailed review should be periodically performed of the accounting records and supporting documentation (checks and invoices) to help detect errors; and
- Village Council should date and initial the monthly reconciliation and other records as proof of their review.

FINDING NUMBER 2004-017

Establishment of an Audit Committee

To help improve financial accountability, the Village should establish an audit committee. The Village should consider the following when establishing an audit committee:

- The audit committee should formally be established by charter, enabling resolution, or other appropriate legal means;
- The members of the audit committee collectively should possess the expertise and experience in accounting, auditing, financial reporting, and finance needed to understand and resolve issues raised by the independent audit of the financial statements. When necessary or otherwise desirable, members of the audit committee should be selected from outside the government to provide the needed expertise and experience;
- A majority of the members of the audit committee should include at least one representative each from the executive and legislative branches of the government;
- An audit committee should be sufficiently large to ensure that its members possess all of the skills needed to realize the committee's objectives. At the same time, the audit committee should be small enough to operate effectively;
- Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism;
- The primary responsibility of the audit committee should be to oversee the independent audit of the Village's financial statements, from the selection of the independent auditor to the resolution of audit findings. In addition to these primary responsibilities, an audit committee should follow-up on noncompliance issues and internal control recommendations made by its auditors, and to serve as a liaison between management and its auditors. In addition, the audit committee should meet periodically throughout the year to monitor the Village's legal compliance, financial condition, and internal controls over the safeguarding of assets and recording of accounting transactions. Periodically the audit committee should perform an internal audit of the accounting records to identify errors or irregularities, a lack of segregation of duties, or overrides of internal controls within or outside the accounting function. During this process, internal control improvements may be identified for implementation;
- The audit committee should present annually, or as often deemed necessary, to the governing body and management a written report on how it has discharged its duties and met its responsibilities. It is further recommended that this report be made public.



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**VILLAGE OF WOODSTOCK
CHAMPAIGN 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
SEPTEMBER 19, 2006**