



Mary Taylor, CPA
Auditor of State

VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Washingtonville
Columbiana County
PO Box 307
Washingtonville, Ohio 44490

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 1, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Washingtonville
Columbiana County
PO Box 307
Washingtonville, Ohio 44490

To the Village Council:

We have audited the accompanying financial statements of Village of Washingtonville, Columbiana 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, 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 of the Village of Washingtonville, Columbiana 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 December 1, 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

December 1, 2008

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$19,255	\$78,497		\$97,752
Intergovernmental	28,413	47,479		75,892
Special Assessments	571			571
Charges for Services		957		957
Fines, Licenses and Permits	31,532			31,532
Earnings on Investments	9,306	2,748		12,054
Miscellaneous	202	461		663
Total Cash Receipts	<u>89,279</u>	<u>130,142</u>		<u>219,421</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	23,777	84,022		107,799
Public Health Services	608			608
Transportation		22,746		22,746
General Government	55,706	167		55,873
Debt Service:				
Redemption of Principal		3,750		3,750
Interest and Fiscal Charges		555	\$14,380	14,935
Capital Outlay	478			478
Total Cash Disbursements	<u>80,569</u>	<u>111,240</u>	<u>14,380</u>	<u>206,189</u>
Total Receipts Over/(Under) Disbursements	<u>8,710</u>	<u>18,902</u>	<u>(14,380)</u>	<u>13,232</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Advances-Out	(25,000)			(25,000)
Total Other Financing Receipts / (Disbursements)	<u>(25,000)</u>			<u>(25,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,290)	18,902	(14,380)	(11,768)
Fund Cash Balances, January 1	<u>145,749</u>	<u>225,987</u>	<u>22,871</u>	<u>394,607</u>
Fund Cash Balances, December 31	<u>\$129,459</u>	<u>\$244,889</u>	<u>\$8,491</u>	<u>\$382,839</u>

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

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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 Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$285,068		\$285,068
Fines, Licenses and Permits		\$31,019	31,019
Total Operating Cash Receipts	<u>285,068</u>	<u>31,019</u>	<u>316,087</u>
Operating Cash Disbursements:			
Personal Services	67,673		67,673
Employee Fringe Benefits	31,981		31,981
Contractual Services	92,965	703	93,668
Supplies and Materials	20,808	244	21,052
Other		41,377	41,377
Total Operating Cash Disbursements	<u>213,427</u>	<u>42,324</u>	<u>255,751</u>
Operating Income/(Loss)	<u>71,641</u>	<u>(11,305)</u>	<u>60,336</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	5,770		5,770
Total Non-Operating Cash Receipts	<u>5,770</u>		<u>5,770</u>
Non-Operating Cash Disbursements:			
Capital Outlay	9,893		9,893
Redemption of Principal	15,870		15,870
Interest and Other Fiscal Charges	32,220		32,220
Total Non-Operating Cash Disbursements	<u>57,983</u>		<u>57,983</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	19,428	(11,305)	8,123
Advances-In	25,000		25,000
Net Receipts Over/(Under) Disbursements	44,428	(11,305)	33,123
Fund Cash Balances, January 1	<u>190,153</u>	<u>21,509</u>	<u>211,662</u>
Fund Cash Balances, December 31	<u>\$234,581</u>	<u>\$10,204</u>	<u>\$244,785</u>

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

VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$17,348	\$73,782		\$91,130
Municipal Income Tax				0
Intergovernmental	30,751	51,172		81,923
Special Assessments	600			600
Charges for Services		1,252		1,252
Fines, Licenses and Permits	35,599			35,599
Earnings on Investments	8,735	2,108		10,843
Miscellaneous	800	3,447	\$320	4,567
Total Cash Receipts	93,833	131,761	320	225,914
Cash Disbursements:				
Current:				
Security of Persons and Property	12,905	86,339		99,244
Public Health Services	594			594
Transportation		25,278		25,278
General Government	54,562			54,562
Debt Service:				
Interest and Fiscal Charges		512		512
Capital Outlay	15,237		13,288	28,525
Total Cash Disbursements	83,298	112,129	13,288	208,715
Total Receipts Over/(Under) Disbursements	10,535	19,632	(12,968)	17,199
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	15,000			15,000
Sale of Fixed Assets	151			151
Transfers-In	14,307			14,307
Transfers-Out	(14,307)			(14,307)
Total Other Financing Receipts / (Disbursements)	15,151			15,151
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	25,686	19,632	(12,968)	32,350
Fund Cash Balances, January 1	120,063	206,355	35,839	362,257
Fund Cash Balances, December 31	\$145,749	\$225,987	\$22,871	\$394,607

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

VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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, 2006**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$260,077		\$260,077
Fines, Licenses and Permits		\$42,743	42,743
Miscellaneous		9,000	9,000
Total Operating Cash Receipts	<u>260,077</u>	<u>51,743</u>	<u>311,820</u>
Operating Cash Disbursements:			
Personal Services	65,863		65,863
Employee Fringe Benefits	36,408		36,408
Contractual Services	99,540		99,540
Supplies and Materials	12,251		12,251
Claims		39,337	39,337
Total Operating Cash Disbursements	<u>214,062</u>	<u>39,337</u>	<u>253,399</u>
Operating Income/(Loss)	<u>46,015</u>	<u>12,406</u>	<u>58,421</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	158		158
Total Non-Operating Cash Receipts	<u>158</u>	<u>0</u>	<u>158</u>
Non-Operating Cash Disbursements:			
Capital Outlay	12,750	4,094	16,844
Redemption of Principal	16,070		16,070
Interest and Other Fiscal Charges	32,715		32,715
Total Non-Operating Cash Disbursements	<u>61,535</u>	<u>4,094</u>	<u>65,629</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(15,362)	8,312	(7,050)
Transfers-In	14,307		14,307
Transfers-Out	(14,307)		(14,307)
Net Receipts Over/(Under) Disbursements	(15,362)	8,312	(7,050)
Fund Cash Balances, January 1	<u>205,515</u>	<u>13,197</u>	<u>218,712</u>
Fund Cash Balances, December 31	<u>\$190,153</u>	<u>\$21,509</u>	<u>\$211,662</u>

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

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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 Washingtonville, Columbiana County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and police services. The Village contracts with the Village of Leetonia for fire protection 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. 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 Funds:

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

Police Fund – This fund receives property tax monies received solely to provide police protection services for village residents.

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Capital Project Funds

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

Building Fund – This fund receives grant monies to make improvements to village hall.

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.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Capital Fund - This fund receives a portion of sewer charges for services. This money is used to repay a USDA loan used to finance improvements to the village sewage system.

5. Fiduciary Funds

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 fines and court costs collected in Mayors court.

D. 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 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.

VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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

E. 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.

F. 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. The carrying amount of cash at December 31 was as follows:

	2006	2007
Demand deposits	<u>\$606,269</u>	<u>\$627,624</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY**

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

3. BUDGETARY ACTIVITY - (Continued)

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,422	\$89,279	\$4,857
Special Revenue	129,328	130,142	814
Capital Projects	0	0	0
Enterprise	296,354	290,838	(5,516)
Total	<u>\$510,104</u>	<u>\$510,259</u>	<u>\$155</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$144,783	\$80,569	\$64,214
Special Revenue	308,198	111,240	196,958
Capital Projects	22,870	14,380	8,490
Enterprise	443,837	271,410	172,427
Total	<u>\$919,688</u>	<u>\$477,599</u>	<u>\$442,089</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,839	\$123,291	\$2,452
Special Revenue	127,360	131,761	4,401
Capital Projects	385	320	(65)
Enterprise	274,760	274,542	(218)
Total	<u>\$523,344</u>	<u>\$529,914</u>	<u>\$6,570</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$166,201	\$97,605	\$68,596
Special Revenue	302,182	112,129	190,053
Capital Projects	35,839	13,288	22,551
Enterprise	482,648	289,904	192,744
Total	<u>\$986,870</u>	<u>\$512,926</u>	<u>\$473,944</u>

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded the amount certified as available in the Drug Enforcement Fund, the Youth Subsidy Fund and the Water Operating Fund by \$1,656, \$976 and \$16,421 respectively during 2006.

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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	\$38,960	0.00%
Farmers Home Administration Loan	705,000	4.50%
Cruiser Note	<u>11,250</u>	4.50%
Total	<u>\$755,210</u>	

The Ohio Public Works Commission (OPWC) loan relates to a sewer line installation project for the Village. The loan is to be repaid in semiannual installments of \$2,435, over twenty years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

In 1997, the Village entered into a loan agreement with Farmers Home Administration. The loan was used for a water and sewer line to bring water from the City of Salem to the Village of Washingtonville. The loan will be repaid in annual installments over forty years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Cruiser Note was for the purchase of a police cruiser. The debt is secured by the full faith and credit of the Village.

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

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY**

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

5. DEBT - (Continued)

Year ending December 31:	OPWC Loan	FHA Loan	Cruiser Note
2008	\$2,435	\$43,725	\$4,136
2009	4,870	43,185	3,964
2010	4,870	43,645	3,793
2011	4,870	43,060	
2012	4,870	43,475	
2013-2017	17,045	215,520	
2018-2022		217,125	
2023-2027		216,005	
2028-2032		215,855	
2033-2037		216,370	
Total	\$38,960	\$1,297,965	\$11,893

6. RETIREMENT SYSTEM

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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, OPERS members contributed 9.5 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;
- Vehicles; and
- Errors and omissions.



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 Washingtonville
Columbiana County
PO Box 307
Washingtonville, Ohio 44490

To the Village Council:

We have audited the financial statements of the Village of Washingtonville, Columbiana County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 1, 2008 wherein we noted the Village followed 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-003.

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. However, we believe finding 2007-003 is also a material weakness.

We noted certain matters that we reported to the Village's management in a separate letter dated December 1, 2008.

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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 1, 2008.

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



Mary Taylor, CPA
Auditor of State

December 1, 2008

VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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 Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be 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 a fiscal officer's certificate must be obtained prior to 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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 for villages the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the council if such expenditure is otherwise valid.

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 a 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 Village may also make expenditures and contracts for any amount from a specific line item appropriation 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 may be outstanding a particular time for any line item appropriation.

The Village did not properly certify the amount against the applicable appropriation accounts for 26% of 2006 tested expenditures and 7% of 2007 tested expenditures. The Village also failed to utilize the exceptions described above.

Additionally, twenty-nine “then and now” certificates, which exceeded \$3,000, were used. These certificates require the certificate to be affirmed by the taxing authority by a resolution or an ordinance. The certificates did have signatures of the fiscal officer and two or three council members indicating authorization, however, the required ordinance or resolution was not approved.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used properly, prior certification is not only required by statute but it is also 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 Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used. If the certificates exceed \$3,000 they should be affirmed by resolution or ordinance of Village Council.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificate of Estimated Resources.

Appropriations exceeded the amount certified as available by the budget commission for 2006 in the Drug Law Enforcement Fund, the Youth Subsidy Fund, and the Water Operating Fund by \$1,656, \$976 and \$16,421 respectively.

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The Village should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Village Council to reduce the appropriations.

FINDING NUMBER 2007-003

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Administrative Code Section 117-2-02 requires the government to maintain accounting records sufficient to assure accountability of entity assets. It also states that the government must have internal controls sufficient to assure that recorded transactions have occurred and are not fictitious. The Village did not record and report all Mayor’s Court activity for the audit period. The Village Fiscal Officer has agreed to the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have also been posted to the Mayor’s Court cash book.

Mayor's Court Fund

2006	Fines, Licenses and Permits	\$ 9,594	Fines were not recorded for some months, which resulted in understating fines, Licenses and Permits in the Mayor's Court Fund
2006	Other Disbursements	\$ 5,072	Other disbursements were not recorded for some months, which resulted in understating other disbursements in the Mayor's Court Fund
2007	Fines, Licenses and Permits	\$ 2,780	Fines were overstated for some months, which resulted in overstating Fines, Licenses and Permits in the Mayor's Court Fund

The Village should maintain their accounting records for the Mayor's Court Fund in such a manner that includes accurate accounting of all transactions.

Officials Response

We did not receive a response from officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

VILLAGE OF WASHINGTONVILLE

COLUMBIANA 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
JANUARY 13, 2009**