



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF CONGRESS  
WAYNE COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Congress  
Wayne County  
127 North Maple Street  
West Salem, Ohio 44287

To the Honorable Mayor and 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 Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 5, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Congress  
Wayne County  
127 North Maple Street  
West Salem, Ohio 44287

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Congress, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position 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 Congress, Wayne County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 9, the Village restated fund balances of the General Fund and Street Construction, Maintenance and Repair Fund as of January 1, 2008 to properly reflect the respective cash fund balances.

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 5, 2010, 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 5, 2010



**VILLAGE OF CONGRESS  
WAYNE 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$3,772	\$358	\$4,130
Intergovernmental	5,523	10,568	16,091
Miscellaneous	666		666
Total Cash Receipts	<u>9,961</u>	<u>10,926</u>	<u>20,887</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	439		439
Transportation	3,135	2,600	5,735
General Government	4,508		4,508
Debt Service:			
Redemption of Principal	7,419		7,419
Interest and Fiscal Charges	1,005		1,005
Total Cash Disbursements	<u>16,506</u>	<u>2,600</u>	<u>19,106</u>
Total Receipts Over/(Under) Disbursements	<u>(6,545)</u>	<u>8,326</u>	<u>1,781</u>
Fund Cash Balances (Deficit), January 1	<u>(958)</u>	<u>2,109</u>	<u>1,151</u>
<b>Fund Cash Balances (Deficit), December 31</b>	<b><u>(\$7,503)</u></b>	<b><u>\$10,435</u></b>	<b><u>\$2,932</u></b>

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

**VILLAGE OF CONGRESS  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$12,882	\$348	\$13,230
Intergovernmental	8,370	6,956	15,326
Earnings on Investments	2		2
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	21,254	7,304	28,558
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,386		1,386
Transportation	800		800
General Government	16,697	2,800	19,497
Debt Service:			
Redemption of Principal	3,874		3,874
Interest and Fiscal Charges	1,260		1,260
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	24,017	2,800	26,817
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(2,763)	4,504	1,741
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1 (restated see Note 9)	1,805	(2,395)	(590)
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$958)</u></b>	<b><u>\$2,109</u></b>	<b><u>\$1,151</u></b>

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

**VILLAGE OF CONGRESS  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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 Congress, Wayne County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street lighting and street maintenance and repair.

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. Deposits**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

VILLAGE OF CONGRESS  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

1. Summary of Significant Accounting Policies (Continued)

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 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.

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 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2009	2008
Demand deposits	<u>\$2,932</u>	<u>\$1,151</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF CONGRESS  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,220	\$9,961	\$1,741
Special Revenue	2,080	10,926	8,846
Total	\$10,300	\$20,887	\$10,587

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,560	\$16,506	(\$7,946)
Special Revenue	2,080	2,600	(520)
Total	\$10,640	\$19,106	(\$8,466)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$21,254	\$21,254
Special Revenue	0	7,304	7,304
Total	\$0	\$28,558	\$28,558

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$24,017	(\$24,017)
Special Revenue	0	2,800	(2,800)
Total	\$0	\$26,817	(\$26,817)

Actual receipts and budgetary expenditures above include audit adjustments.

**VILLAGE OF CONGRESS  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**3. Budgetary Activity (Continued)**

- Contrary to Ohio Rev. Code Section 5705.10 (H), the Village had negative fund balances at both December 31, 2009 and 2008.
- Contrary to Ohio Rev. Code Section 5705.36(A), the Village did not certify to the County Fiscal Officer the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year for the years 2009 and 2008.
- Contrary to Ohio Rev. Code Section 5705.38(A) and 5705.41(B), the Village did not adopt a permanent appropriation measure for the year 2008. The permanent appropriation measure for year 2009 was not passed until February 2, 2009. In addition, disbursements exceeded appropriations in for both years.
- Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded total estimated fund resources in every fund in 2008.
- Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify any disbursement prior to the financial obligation.

**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.

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 CONGRESS  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**5. Debt**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Improvement Bonds	\$7,315	4.75%

The Improvement Bonds were issued for the purpose of acquiring and improving real estate.

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

	<u>Improvement Bonds</u>
Year ending December 31:	
2010	3,423
2011	3,423
2012	966
Total	\$7,812

**6. Retirement Systems**

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local</i>	<i>2008 - 2011</i>	<i>10%</i>	<i>14%</i>

The Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**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.

**VILLAGE OF CONGRESS  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**8. Related Party Transactions**

Village Council approved a bid for repairs to S. Wild Cherry Lane, N. Wild Cherry Lane and to install a drain on S. Wild Cherry Lane for \$2,600 to a councilman's son.

**9. Restatement of Prior Year Fund Balance**

When the current fiscal officer took office in late 2008, it was determined the UAN fund balance was not reconciled to the bank balance, as a result the current fiscal officer posted a fund balance adjustment in the UAN in order for the balances to reconcile. The restatement had the following effect on fund balance at December 31, 2007 as previously reported.

	General Fund	Special Revenue	Capital Projects	Total
Fund Balance at December 31, 2007	\$2,461	\$2,105	\$26	\$4,592
Fund Balance Adjustment	(656)	(\$4,500)	(\$26)	(\$5,182)
Restated Fund Balance at January 1, 2008	\$1,805	(2,395)	\$0	(\$590)





# 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 Congress  
Wayne County  
127 North Maple Street  
West Salem, Ohio 44287

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Congress, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 5, 2010, 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. Our report disclosed that the Village restated certain fund balances as of January 1, 2008. 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 Village, 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 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and an other deficiency we consider to be a significant deficiency.

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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 findings 2009-009 through 2009-013 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-008 described in the accompanying Schedule of Findings to be a significant deficiency.

### **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 2009-001 through 2009-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 5, 2010.

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

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



**Mary Taylor, CPA**  
Auditor of State

December 5, 2010

**VILLAGE OF CONGRESS  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 and 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance/Finding for Recovery**

The former Village fiscal officer overpaid herself five months (\$350 per month) of salary in 2008. The total amount overpaid was \$1,750.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Becky Meadows, former Village fiscal officer in the amount of \$1,750 and in favor of the General Fund.

The former fiscal officer pled guilty to theft in June 2009 and was court ordered to make restitution to the Village. As of the date of the report, \$225 has been repaid to the Village.

**FINDING NUMBER 2009-002**

**Material Non-Compliance**

**Ohio Revised Code Section 5705.10(H)** requires that monies paid into any fund be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2009 and 2008 the General Fund had a negative cash fund balance of \$7,503 and \$958, respectively. These were a result of audit adjustments.

Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

**FINDING NUMBER 2009-003**

**Material Non-Compliance**

**Ohio Revised Code Section 5705.36** requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units certify to the County Auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year. The Village did not file its certificate of available revenue for 2008 and did not file its 2009 certificate of available revenue with the County Auditor until February 3, 2009. In addition, estimated resources posted to the Village's receipt ledger did not agree to the estimated resources on the Certificate of Estimated Resources.

**FINDING NUMBER 2009-003 (continued)**

By not certifying year-end balances to the County Auditor, and subsequently obtaining an amended Certificate of Estimated Resources from the County Auditor, the Village could base appropriations on outdated estimates of available resources which could result in negative fund balances. The Village should file its certificate of available revenue with the County Auditor on or about the first day of each fiscal year. In addition, the Village Fiscal Officer should periodically review the Village's receipt ledger to ensure estimated resources are posted accurately and timely.

**FINDING NUMBER 2009-004**

**Material Noncompliance Finding**

**Ohio Revised Code Section 5705.38(A)** requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. Village Council did not approve or submit an appropriation measure to the County Auditor for 2008. In addition, the 2009 appropriation measure was not passed until February 2, 2009.

Village Council should pass an annual appropriation measure on or about the first day of each fiscal year.

**FINDING NUMBER 2009-005**

**Material Noncompliance Finding**

**Ohio Revised Code Section 5705.39** requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

The Village did not pass an appropriation measure in 2008 nor did the Village file its certificate of available revenue, as a result the Village did not obtain "Does Not Exceed" certificates from the County Auditor.

Village Council should pass an annual appropriation measure, file its certificate of available revenue with the County Auditor, and subsequently monitor appropriations versus estimated resources to avoid overspending. In addition, the Fiscal Officer should obtain "Does Not Exceed" certificate(s) from the County Fiscal Officer to ensure compliance with the Ohio Revised Code.

#### FINDING NUMBER 2009-006

##### Material Noncompliance Finding

**Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. Since the Village did not pass an appropriations measure during 2008, all 2008 disbursements of the Village exceeded appropriations. During 2009, Village Council did not amend original appropriations; therefore, all 2009 disbursements exceeded appropriations. In addition, appropriations posted to the Village's appropriation ledger did not always agree to the Village's legally adopted appropriation measure.

The Village should ensure appropriation measures are amended as necessary to ensure the Village's actual disbursements are within approved appropriations. In addition, the Village Fiscal Officer should periodically review the Village's appropriations ledger to ensure appropriation amounts are posted accurately and timely.

#### FINDING NUMBER 2009-007

##### Material Noncompliance Finding

**Ohio Revised Code Section 5705.41(D)** requires that no subdivision or taxing unit 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 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 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 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 2009-007 (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 line item appropriation.

100% of the 2008 and 2009 disbursements tested were not certified by the Fiscal Officer prior to incurring the obligation. It was also found that none of the exceptions above were utilized for the items found to be in noncompliance.

The Village should certify the availability of funds for disbursement and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

**FINDING NUMBER 2009-008**

**Significant Deficiency**

**Policies and Procedures**

The Village has not established the following formal policies/procedures necessary to provide the Village with guidance for their operations:

- **Budgetary Policies/Procedures** - Policies/procedures designed to help ensure the Village is in compliance with laws and regulations governing the Village's budgetary process.
- **Accounting Policies/Procedures** - Policies/procedures designed to help ensure the Village is in compliance with laws and regulations governing the Village's accounting methods.

The Village should establish the aforementioned policies and procedures. These policies/procedures should be maintained within a policies/procedures manual and updated by Village Council as deemed necessary.

## **FINDING NUMBER 2009-009**

### **Material Weakness**

#### **Maintenance of Accounting Records and Supporting Documentation**

The Village did not maintain any accounting records throughout 2008. The financial activity was not recorded within the UAN system nor was any related supporting documentation for this timeframe maintained. The current fiscal officer attempted to recompile their 2008 financial activity; however, line item classifications of the Village's 2008 financial statements were difficult to determine due to a lack of supporting documentation (i.e. - invoices, purchase orders, etc.).

The Village should record all financial activity in the UAN system in a timely manner. In addition, the related receipts, invoices, purchase orders, etc., should be maintained by the Village. This will help ensure proper public purpose of Village financial transactions/activity. In addition, with timely and accurate information Council is able to make better informed financial decisions regarding Village operations.

## **FINDING NUMBER 2009-010**

### **Material Weakness**

#### **Monthly Bank Reconciliations**

Monthly bank balances were not reconciled to the Village's accounting records nor provided to Village Council for their review and approval during 2008 and 2009. As a result, fund balances in UAN were overstated throughout 2008 when compared to the actual bank statement's balance. A significant fund balance adjustment (\$5,181.67 in total) at December 31, 2008 was recorded within UAN to adjust the funds' balances to reconcile to the bank's balance. This adjustment purpose was recorded as "prior clerk error" and was due to the prior Fiscal Officer not recording various receipting/disbursement activities to UAN throughout 2008.

Without complete and accurate monthly bank reconciliations, the Village's internal control is significantly weakened which could hinder the timely detection of errors or irregularities in the financial records and/or financial statements by management. The Fiscal Officer should perform complete monthly bank reconciliations in a timely manner. A copy of the monthly bank reconciliation and listing of outstanding checks and other reconciling items should be provided to the Village Council each month for review. Any unreconciled differences should be resolved as quickly as possible and should not be carried forward month-to-month. All reconciling items should be appropriately documented.

## FINDING NUMBER 2009-011

### Material Weakness

#### Classification of Receipts and Disbursements

Numerous posting errors were noted in the receipt and disbursement ledger. Receipts and disbursements were posted to incorrect funds and/or accounts due to delays in recording transactions in a timely manner and lack of maintaining sufficient supporting documentation. The following is a summary of posting errors:

- Sixteen receipt reclassifications/adjustments totaling \$9,401 and seven disbursement reclassifications/adjustments totaling \$8,886 for 2008
- Seventeen receipt reclassifications/adjustments totaling \$11,026 and ten disbursement reclassifications/adjustments totaling \$13,050 for 2009

All amounts noted above were adjusted to the financial statements. Additionally, the cash fund balance effect of these adjustments were posted to the Village's books.

The Fiscal Officer should exercise due care in recording receipts and expenditures on the Village's accounting system. The Fiscal Officer should review the Uniform Accounting Network (UAN) manual for the proper account codes and fund descriptions and review entries for accuracy at least at month end. These procedures will help ensure receipts and expenditures are accurately reported in the Village's financial statements.

## FINDING NUMBER 2009-012

### Material Weakness

#### Recording Payments By Check Number

The Village's check writing system does not interface with the Uniform Accounting Network (UAN), thus the Village Fiscal Officer enters the Village's individual disbursement transactions into UAN as direct charges. As a result, the following exceptions were noted:

- disbursements were not entered into the UAN system until the check cleared the bank;
- the check numbers actually issued to pay the Village's disbursements are not consistently referenced in the UAN system;
- numerous instances where the Village issued the same check number more than once to pay various disbursements of the Village, and
- one instance was noted where the name and check # recorded to UAN did not correlate with the actual name and check # issued on the check to pay the disbursement.

The Village should either establish a procedure to interface their check writing system with UAN or establish a procedure to easily trace the direct charge numbers recorded in UAN to the related check number actually used to pay each disbursement. This will help ensure all disbursements have been properly recorded within the UAN system.



## FINDING NUMBER 2009-013

### Material Weakness

#### Monthly Financial Statements

Council did not receive or review any financial reports of the Village's financial activity during the audit period. The absence of review and approval of monthly reports demonstrates a lack of fiscal monitoring by Council. The Village continued to operate on a deteriorating fund balance and unreconciled cash balance without knowing the accurate fund balances and financial condition of the Village. As a result, numerous errors occurred and were not detected. For 2009, 27 audit adjustments/reclassifications were posted to the financial statements to correct these errors totaling \$24,076, and for 2008, 23 audit adjustments/reclassifications were posted to the financial statements for errors totaling \$18,287. (See finding number 2009-009). Additionally, the cash fund balances effect of these adjustments were posted to the Village's books. These errors compromise management's ability to effectively monitor the finances and make appropriate decisions for the Village.

Council should require monthly financial reports and formally recognize, in the minutes, the acceptance of monthly reports they receive from the Fiscal Officer. Reports should include, but not be limited to, monthly cash reconciliations, budget to actual statements, year-to-date receipt, expenditure, and fund balance reports. These reports should reflect all activity of the Village and should be up-to-date. This will increase Council's awareness of all finance related activity and help facilitate their decision making process.

**Official's Response:** We the officers of Congress Village, acknowledge the various errors that were discussed at the February 17<sup>th</sup> meeting. Some of the issues that were mentioned in the report were corrected before the audit. Within the next 3 months, we hope to have more of the issues moving towards compliance. A final date cannot be set for total compliance of all the issues brought before us.

**VILLAGE OF CONGRESS  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-01	Ohio Revised Code 5705.41(D) The Village did not certify the availability of funds prior to incurring the obligation.	No	Not Corrected. Reissued as Finding Number 2009-006
2007-02	Ohio Revised Code 5705.39 Appropriations exceeded estimated sources in all funds.	No	Not Corrected. Reissued as Finding Number 2009-004
2007-03	Ohio Administrative Code Section 117-2-02(A) & (D) The Village disbursements were not posted to accurate classifications.	No	Not Correct. Reissued as Finding Number 2009-010



# Dave Yost • Auditor of State

VILLAGE OF CONGRESS

WAYNE 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  
MARCH 22, 2011