

Village of Waldo

Marion County, Ohio

Regular Audit

For the Years Ended December 31, 2003 and 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com



**Auditor of State
Betty Montgomery**

Village Council
Village of Waldo
220 West Main Street
P.O. Box 202
Waldo, Ohio 43356

We have reviewed the Independent Auditor's Report of the Village of Waldo, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 22, 2004

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Village of Waldo
Marion County, Ohio
For the Years Ended December 31, 2003 and 2002
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Village Council
Village of Waldo
Marion County, Ohio
220 West Main Street
PO Box 202
Waldo, Ohio 43356

We have audited the accompanying financial statements of the Village of Waldo, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Waldo, Marion County, Ohio, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of the audits.

This report is intended solely for the information and use of management, Village Council, 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

August 6, 2004

Village of Waldo
Marion County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2003

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$29,666	\$0	\$0	\$29,666
Intergovernmental	22,135	17,467	0	39,602
Licenses, Permits, and Fees	249	0	0	249
Earnings on Investments	504	128	672	1,304
Other Revenue	1,497	0	0	1,497
Total Cash Receipts	54,051	17,595	672	72,318
Cash Disbursements:				
Current:				
Security of Persons and Property	5,664	0	0	5,664
Public Health Service	1,673	0	0	1,673
Community Environment	1,569	0	0	1,569
Transportation	9,791	2,661	0	12,452
General Government	25,329	0	0	25,329
Total Cash Disbursements	44,026	2,661	0	46,687
Total Receipts Over/(Under) Disbursements	10,025	14,934	672	25,631
Fund Cash Balances, January 1	77,588	15,596	21,867	115,051
Fund Cash Balances, December 31	<u>\$87,613</u>	<u>\$30,530</u>	<u>\$22,539</u>	<u>\$140,682</u>
Reserved for Encumbrances	<u>\$3,103</u>	<u>\$20</u>	<u>\$0</u>	<u>\$3,123</u>

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

Village of Waldo
Marion County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2002

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$29,128	\$2,248	\$0	\$31,376
Intergovernmental	23,422	14,110	0	37,532
Licenses, Permits, and Fees	160	0	0	160
Earnings on Investments	1,315	141	0	1,456
Other Revenue	1,416	0	0	1,416
Total Cash Receipts	55,441	16,499	0	71,940
Cash Disbursements:				
Current:				
Security of Persons and Property	6,585	0	0	6,585
Public Health Service	2,211	0	0	2,211
Community Environment	832	0	0	832
Transportation	7,326	16,347	0	23,673
General Government	27,440	0	0	27,440
Total Cash Disbursements	44,394	16,347	0	60,741
Total Receipts Over/(Under) Disbursements	11,047	152	0	11,199
Fund Cash Balances, January 1	66,541	15,444	21,867	103,852
Fund Cash Balances, December 31	\$77,588	\$15,596	\$21,867	\$115,051

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

Village of Waldo
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Waldo, Marion County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services including park operations (leisure time activities). The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The certificate of deposit is valued at cost.

D. Fund Accounting

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

1. General Fund - The General Fund 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 Funds - 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 Funds:

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

State Highway Fund-This fund receives gasoline tax and motor vehicle tax money to pay for constructing, maintaining and repairing highways.

3. Capital Projects Fund – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). This fund consists of tap-in fees collected from village residents to be used for a future sanitary sewer project.

Village of Waldo
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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.

G. Unpaid Sick Leave

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon leaving employment. Unpaid sick leave is not reflected as a liability under the basis of accounting used by the Village.

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 and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$117,494	\$92,534
Certificate of deposit	23,188	22,517
Total deposits	<u>\$140,682</u>	<u>\$115,051</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Village of Waldo
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

Fund Type	<u>2003 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$55,845	\$54,051	(\$1,794)
Special Revenue	18,450	17,595	(855)
Capital Projects	1,000	672	(328)
Total	<u>\$75,295</u>	<u>\$72,318</u>	<u>(\$2,977)</u>

Fund Type	<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$128,300	\$47,129	\$81,171
Special Revenue	34,018	2,681	31,337
Total	<u>\$162,318</u>	<u>\$49,810</u>	<u>\$112,508</u>

Fund Type	<u>2002 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$56,263	\$55,441	(\$822)
Special Revenue	26,548	16,499	(10,049)
Capital Projects	1,000	0	(1,000)
Total	<u>\$83,811</u>	<u>\$71,940</u>	<u>(\$11,871)</u>

Fund Type	<u>2002 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$108,095	\$44,394	\$63,701
Special Revenue	39,300	16,347	22,953
Total	<u>\$147,395</u>	<u>\$60,741</u>	<u>\$86,654</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

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 Waldo
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

The Village has obtained insurance for the following risks:

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

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. The Village has not incurred significant reductions in insurance coverage from coverage in the prior year by major category or risk.

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Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

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Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with *Government Auditing Standards*

Village Council
Village of Waldo
Marion County
220 West Main Street
PO Box 202
Waldo, Ohio 43356

We have audited the accompanying financial statements of Village of Waldo, Marion County, Ohio, (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 6, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-01. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the Village in a separate letter dated August 6, 2004.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal over financial reporting, which we have reported to the management of the Village in a separate letter dated August 6, 2004.

Village of Waldo, Marion County, Ohio
Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

August 6, 2004

**VILLAGE OF WALDO
MARION COUNTY**

SCHEDULE OF FINDINGS

DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2003-01
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Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

An exception to this law exists. The Village may issue Then and Now Certificates if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, 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 taxing authority can authorize the drawing of a warrant.

Instances were noted where purchase orders were not prepared timely in accordance with the above section. Furthermore, none of the purchase orders prepared were signed by the Clerk/Treasurer certifying the funds or approved by Board Members. The Clerk/Treasurer should sign all purchase orders to signify certification of funds and Board Members should sign them to signify approval of the purchase orders.

CORRECTIVE ACTION PLAN

Finding Number:	Planned Corrective Action:	Anticipated Completion Date:	Responsible Contact Person:
2003-01	The Clerk/Treasurer and the Board will monitor the use of purchase orders more closely in the future.	12/31/04	Shirley Groll, Clerk/Treasurer



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF WALDO

MARION 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
OCTOBER 5, 2004**