

VILLAGE OF WREN

VAN WERT COUNTY

REGULAR AUDIT

JANUARY 1, 2005 THROUGH DECEMBER 31, 2006

YEARS AUDITED UNDER GAGAS: 2006 AND 2005

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Wren
P. O. Box 275
Wren, Ohio 45889

We have reviewed the *Independent Auditor's Report* of the Village of Wren, Van Wert County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA
Auditor of State

November 21, 2007

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VILLAGE OF WREN
VAN WERT COUNTY

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Caudill & Associates, CPA's

725 5th Street
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Independent Auditor's Report

Village of Wren
Van Wert County
P.O. Box 275
Wren, Ohio 45889

We have audited the accompanying financial statements of the Village of Wren (The Village), Van Wert County, Ohio, as of and for the years ended December 31, 2006 and 2005. 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 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 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2006 and 2005, 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, 2006 and 2005, 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 and reserves for encumbrances of the Village as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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Van Wert County
Independent Auditor's Report
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The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 October 20, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

October 20, 2007

VILLAGE OF WREN
VAN WERT 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**

	<u>Governmental Funds Types</u>			Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	(Memorandum Only)
<u>Cash Receipts</u>				
Property and Other Taxes	\$ 15,017	\$ 2,368	\$ -	\$ 17,385
Intergovernmental	25,288	33,739	381,766	440,793
Charges for Services	232	37,000	-	37,232
Fines, Licenses, and Permits	849			849
Earnings on Investments	513	-	-	513
Miscellaneous	4,038	7,430	12	11,480
Total Cash Receipts	<u>45,937</u>	<u>80,537</u>	<u>381,778</u>	<u>508,252</u>
<u>Disbursements:</u>				
Security of Persons and Property	-	50,320	-	50,320
Public Health Services	77	-	-	77
Transportation	-	24,750	381,376	406,126
General Government	46,059	7,500	-	53,559
Debt Service:				
Principle Payment	4,629	2,812	-	7,441
Interest and Fiscal Charges	1,232	4,722	-	5,954
Total Cash Disbursements	<u>51,997</u>	<u>90,104</u>	<u>381,376</u>	<u>523,477</u>
Total Receipts Over (Under) Disbursements	<u>(6,060)</u>	<u>(9,567)</u>	<u>402</u>	<u>(15,225)</u>
<u>Other Financing Receipts/(Disbursements):</u>				
Other Financing Sources	200			200
Other Financing Uses	<u>(1,025)</u>	<u>-</u>	<u>-</u>	<u>(1,025)</u>
Total Other Financing Receipts/(Disbursements)	<u>(825)</u>	<u>-</u>	<u>-</u>	<u>(825)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(6,885)	(9,567)	402	(16,050)
Fund Cash Balance, January 1	<u>17,351</u>	<u>106,048</u>	<u>3,733</u>	<u>127,132</u>
Fund Cash Balance December 31	<u>\$ 10,466</u>	<u>\$ 96,481</u>	<u>\$ 4,135</u>	<u>\$ 111,082</u>
Reserve for Encumbrances, December 31	<u>\$ 3,147</u>	<u>\$ 407</u>	<u>\$ -</u>	<u>\$ 3,554</u>

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

VILLAGE OF WREN
VAN WERT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Funds Types</u>			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<u>Cash Receipts</u>				
Property and Other Taxes	\$ 13,300	\$ 2,044	\$ -	\$ 15,344
Intergovernmental	29,778	19,389	-	49,167
Special Assessments	-	1,394	-	1,394
Charges for Services	-	37,009	-	37,009
Earnings on Investments	684	-	-	684
Miscellaneous	571	8,522	12	9,105
Total Cash Receipts	<u>44,333</u>	<u>68,358</u>	<u>12</u>	<u>112,703</u>
<u>Disbursements:</u>				
Security of Persons and Property	-	81,785	-	81,785
Public Health Services	639	-	-	639
Transportation	-	287	-	287
General Government	62,499	4,094	-	66,593
Debt Service:				
Principal Payment	3,609	2,812		6,421
Interest and Fiscal Charges	1,275	4,889		6,164
Total Cash Disbursements	<u>68,022</u>	<u>93,867</u>	<u>-</u>	<u>161,889</u>
Total Receipts Over (Under) Disbursements	<u>(23,689)</u>	<u>(25,509)</u>	<u>12</u>	<u>(49,186)</u>
<u>Other Financing Receipts/(Disbursements):</u>				
Other Financing Sources	-	432	-	432
Debt Proceeds	25,000	-	-	25,000
Total Other Financing Receipts/(Disbursements):	<u>25,000</u>	<u>432</u>	<u>-</u>	<u>25,432</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	1,311	(25,077)	12	(23,754)
Fund Cash Balance, January 1	<u>16,040</u>	<u>131,125</u>	<u>3,721</u>	<u>150,886</u>
Fund Cash Balance December 31	<u>\$ 17,351</u>	<u>\$ 106,048</u>	<u>\$ 3,733</u>	<u>\$ 127,132</u>
Reserve for Encumbrances, December 31	<u>\$ 1,319</u>	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 1,471</u>

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

**VILLAGE OF WREN
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Wren, Van Wert County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services including street lighting, street repair and maintenance and park operations, and also provides Fire and Emergency Medical services with volunteer departments.

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

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds 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 for constructing, maintaining, and repairing Village streets.

Fire and Emergency Medical Services Operating Fund – This fund receives tax levy monies, grant monies and contract services monies to be used for fire and medical emergency services.

**VILLAGE OF WREN
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 funds:

Issue II Fund – This fund receives revenue from the State of Ohio for road projects.

Fire Truck Fund – This fund received proceeds from a loan for the purchase of a Fire Truck. A portion of the monies received from fire contracts will be used to retire the debt from this fund.

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 or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2006 and 2005 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.

**VILLAGE OF WREN
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$111,082	\$127,132
Total deposits	\$111,082	\$127,132

Deposits: Deposits are either (1) 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, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,999	\$46,137	(\$1,862)
Special Revenue	71,493	80,537	9,044
Capital Projects	600,000	381,778	(218,222)
Total	\$719,492	\$508,452	(\$211,040)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,640	\$56,169	\$7,471
Special Revenue	52,775	90,511	(37,736)
Capital Projects	600,000	381,376	218,624
Total	\$716,415	\$528,056	\$188,359

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,014	\$69,333	\$32,319
Special Revenue	78,491	68,790	(9,701)
Capital Projects	0	12	12
Total	\$115,505	\$138,135	\$22,630

**VILLAGE OF WREN
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY (Continued)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,575	\$69,341	(\$16,766)
Special Revenue	48,325	94,019	(45,694)
Capital Projects	0	0	0
Total	<u>\$100,900</u>	<u>\$163,360</u>	<u>(\$62,460)</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Notes	\$77,920	5.82%
US Bank Note	<u>16,762</u>	6.30%
	\$94,682	

The Bond Anticipation Notes were issued for the purchase of a Fire Truck on June 11, 2002. The Village plans to repay the notes through revenues generated from fire protection contracts. The full faith, credit and revenue of the Village are pledged for the repayment of this debt. The principal sum of \$90,000 is to be paid off in bi-annual installment payments over 15 years using a 20 year amortization process and involving a final principal balloon payment of \$35,682.

The US Bank Note was issued to cover the remaining costs of the Jackson Street Project on February 7, 2005. The full faith, credit and revenue of the Village are pledged for the repayment of this debt. The principal sum of \$25,000 is to be paid off in monthly installments over 5 years using a 5 year amortization process.

**VILLAGE OF WREN
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

5. DEBT (Continued)

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>General Obligation Notes</u>	<u>US Bank Note</u>
2007	\$7,736	\$5,861
2008	7,746	5,861
2009	7,731	5,861
2010	7,732	977
2011	7,732	
2012-2016	39,625	
2017	<u>35,682</u>	
Total	<u>\$113,984</u>	<u>\$18,560</u>

6. RETIREMENT SYSTEMS

One part-time employee and the Village Clerk belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5 percent of their wages. The Village contributed an amount equal to 13.7 and 13.55 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage – For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**VILLAGE OF WREN
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

7. RISK MANAGEMENT (Continued)

Property Coverage – Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position – PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (latest information available).

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained Earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained Earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$9,800. This payable includes the subsequent year's contributions due if the Village terminates participations, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2004	\$4,900
2005	\$4,900
2006	\$4,900

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary

**VILLAGE OF WREN
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

7. RISK MANAGEMENT (Continued)

contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not properly certify funds prior to a commitment being paid during 2005 and 2006.

Contrary to Ohio Rev. Code Section 5705.41 (B), the Village expenditures exceeded appropriations in the General Fund and Fire/EMS Operating for fiscal year 2005 and the Street Construction and Maintenance Fund, Fire/EMS Operating, and Fire Special Funds for fiscal year 2006.

Contrary to Ohio Rev. Code Section 5705.40, the Village expenditures exceeded appropriations in both 2005 and 2006; however, no amended or supplemental appropriation measures were passed in either year.

Contrary to Ohio Rev. Code Section 5705.36, the Village estimated receipts exceeded actual receipts in the General Fund and Capital Projects Funds as of December 31, 2006 causing actual resources to fall below the level of appropriation.

Contrary to 26 CFR Section 1.6041-2, the Village did not include all taxable income on employee's Form W-2. In both 2005 and 2006 Village employees were reimbursed for wages lost at his or her full-time job in order to conduct Village business. These reimbursements were not reported on Form W-2.

9. MISCELLANEOUS RECEIPTS

In 2005, miscellaneous receipts of the Special Revenue Fund are comprised, in part, of \$7,034 received in the form of donations made to the Village. In 2006, miscellaneous receipts of the Special Revenue Fund are comprised entirely of donations made to the Village.

Caudill & Associates, CPA's

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

Village Council
Village of Wren
P.O. Box 275
Wren, Ohio 45899

We have audited the accompanying cash-basis financial statements of The Village of Wren (the Village), Van Wert County, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's financial statements, and have issued our report thereon dated October 20, 2007, wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the internal control over financial reporting. Accordingly, we do not express an opinion 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2006-002, 2006-003, 2006-007, and 2006-009.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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 deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting as items 2006-003 and 2006-007.

Village of Wren
Van Wert County

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

Page 2

Compliance and Other Matters

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 grant agreements, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed five instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items No. 2006-001, 2006-004, 2006-005, 2006-006, and 2006-008.

We noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated October 20, 2007.

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

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's
October 20, 2007

**VILLAGE OF WREN
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached 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.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his 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 for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

45% of the expenditures tested were not properly certified in 2005 and 30% in 2006.

We recommend the Village implement policies to ensure that all purchases first have monies certified by the Clerk Treasurer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Village Response:

Village officials will monitor the proper certifying of expenditures more closely.

**VILLAGE OF WREN
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-002

Significant Deficiency – Time Sheets

In 2006 and 2005, timesheets were not signed by a supervisor, nor was the appropriate rate of pay specified on the timesheet.

Failure to review and authorize timesheets could lead to errors and discrepancies in hours compensated.

The Council should develop and adopt appropriate procedures to ensure that all time sheets are properly reviewed and authorized.

Village Response:

The Village Council will develop and adopt appropriate procedures to ensure that all time sheets are properly reviewed and authorized.

FINDING NUMBER 2006-003

Significant Deficiency/Material Weakness – System Discrepancies

Estimated receipts and appropriations should be posted to the accounting system so that they reflect Council approved amounts per the Certificate of Estimated Resources and the Appropriation Ordinance.

We noted several discrepancies between the approved amounts and the amounts entered into the system for various funds tested. This could result in misstatements in the Village's budgetary statements and lead to inaccurate financial decisions made by Village Council and management.

We recommend the Clerk/Treasurer post appropriations to reflect the appropriations approved by the Village Council in an accurate and timely manner and the Clerk/Treasurer ensure all estimated receipts posted to the system reflect the amounts on the Certificate of Estimated Resources.

Village Response:

The Clerk/Treasurer will post appropriations and estimated receipts to reflect those approved by Council.

**VILLAGE OF WREN
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-004

Noncompliance Citation – Ohio Rev. Code Section 5705.36

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the Village to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the Village to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Estimated receipts exceeded actual receipts in the General Fund and Capital Project Funds as December 31, 2006 causing actual resources to fall below the level of appropriation.

This could allow deficit spending to occur.

We recommend the Village Clerk/Treasurer obtain a reduced certificate of estimated resources when it is determined that estimated receipts will be less than the actual receipts causing resources to fall below the level of appropriations. Approval of the modifications should be enacted and documented in the Village Minutes.

Village Response:

The Village will monitor budgetary compliance more closely.

**VILLAGE OF WREN
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-005

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (B)

The Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2005 and 2006, the following funds had expenditures which exceeded appropriations at the legal level of control:

2005

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General:			
Salaries-Council	\$4,500	\$4,724	(\$224)
Auditing Services	0	6,000	(6,000)
OPERS	1,000	1,500	(500)
Other – Personal Services	3,500	5,538	(2,038)
Other - Utilities	9,500	32,034	(22,534)
Workers' Compensation	1,000	3,500	(2,500)
Street Construction Maintenance & Repair:			
Interest	100	287	(187)
Fire/EMS Operating:			
Other – Personal Services	2,700	3,017	(317)
Operating Supplies and Materials	20,000	72,180	(52,180)

2006

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General:			
OPERS	\$750	\$1,841	(\$1,091)
Uniform Accounting			
Network Fees	800	1,103	(303)
Other - Utilities	14,600	18,671	(4,071)
Repairs and Maintenance of Buildings and Land	10,000	11,000	(1,000)
Street Construction Maintenance & Repair:			
Repairs and Maintenance of Buildings and Land	2,000	24,750	(22,750)
Fire/EMS Operating:			
Operating Supplies and Materials	25,000	44,951	(19,951)
Fire Special:			
Operating Supplies and Materials	1,000	1,487	(487)

**VILLAGE OF WREN
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-005 (CONTINUED)

Village personnel should adopt appropriations prior to authorizing the expenditures of funds. All appropriation amendments should be filed with the County Auditor on a timely basis.

Village Response:

The Village will appropriately follow the auditor's recommendation and will monitor appropriations and expenditures.

FINDING NUMBER 2006-006

Noncompliance Citation – 26 C.F.R. Section 16041-2

26 C.F.R. Section 1.6041-2 states, wages paid to an employee are required to be reported on Form W-2. Furthermore, 26 C.F.R. Section 1.61-21 indicates that gross income includes compensation for services including: fees, commission, fringe benefits, and similar items.

In both 2005 and 2006 Village employees were reimbursed for wages lost at his or her full-time job in order to conduct village business. These reimbursements were not included on employee's Form W-2 as taxable income.

Wages were improperly represented to the IRS resulting in an understatement of tax liability.

The Village should include all taxable income on employee's Form W-2.

Village Response:

The Village will begin including all taxable income on employee's Form W-2.

**VILLAGE OF WREN
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-007

Significant Deficiency/Material Weakness – AOS Technical Bulletin 2002-004

Concerning the recording of Issue II monies, AOS Technical Bulletin 2002-004 states, the OPWC will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed by the OPWC.

In 2006, the Village did not record the receipts & disbursements resulting from Issue II resources.

The Village should record all Issue II receipts and disbursements according to AOS Technical Bulletin 2002-004.

Village Response:

The Village will record all future Issue II monies in accordance with AOS Technical Bulletin 2002-004.

FINDING NUMBER 2006-008

Noncompliance Citation – Ohio Rev. Code Section 5705.40

The Ohio Rev. Code Section 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.

The Village expenditures exceeded appropriations in the General Fund and Fire/EMS Operating for fiscal year 2005 and the Street Construction and Maintenance Fund, Fire/EMS Operating, and Fire Special Funds for fiscal year 2006.

The Village did not pass any amended or supplemental appropriation measures either year.

The Village should pass amendments in order to avoid expenditures exceeding appropriations.

Village Response:

The Village will appropriately follow the auditor's recommendation and will monitor appropriations and expenditures.

**VILLAGE OF WREN
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-009

Significant Deficiency – Blank Checks

In 2006 and 2005, the Clerk /Treasurer maintained blank checks in an unlocked container at the Village Town Hall. The checks were not kept in a secure location such as a safe or locked cabinet. Sensitive documents such as blank checks should be secured at all times. When not stored in a secure environment, blank checks may be stolen which could compromise the Village's financial condition.

We recommend the Village adopt a safeguard policy to assure that all sensitive documents including blank checks are contained in secure, locked areas.

Village Response:

The Village Council will adopt a policy to assure that all sensitive documents including blank checks are contained in secure, locked areas.

Village of Wren
Van Wert County
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	ORC Section – 135.21 and 5705.10	No	Repeated as Management Letter Non-Compliance Citation
2004-002	ORC Section – 5705.41 (B)	No	Repeated as Finding 2006-005
2004-003	ORC Section 5705.14, 15, and 16	Yes	N/A
2004-004	Posting of Tax Levies and Intergovernmental Revenues	Yes	N/A



Mary Taylor, CPA
Auditor of State

VILLAGE OF WREN

VAN WERT 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
DECEMBER 6, 2007