

Village of South Webster

Scioto County

Regular Audit

January 1, 2003 Through December 31, 2004

Fiscal Years Audited Under GAGAS: 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

Members of Council
Village of South Webster
P. O. Box 38
South Webster, Ohio 45682

We have reviewed the *Independent Auditor's Report* of the Village of South Webster, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 South Webster is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

February 23, 2006

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VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY

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Independent Auditors Report

Members of Council
Village of South Webster
Scioto County
P.O. Box 38
South Webster, Ohio 45682

We have audited the accompanying financial statements of the Village of South Webster, Scioto County, (the Village) as of and for the year ended December 31, 2004 and 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

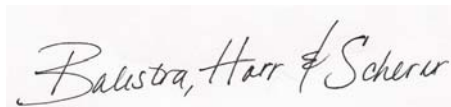
Revisions to GAAP require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and for 2003, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require 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 financial 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 are materially misstated under 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 year ended December 31, 2004 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, 2004, or their changes in financial position for the year 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 for the Village of South Webster, Scioto County, as of December 31, 2004, and 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion & 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 31, 2005, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the 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.



Balestra, Harr & Scherer, CPAs, Inc.
October 31, 2005

VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 35,729	\$ 12,166	\$ 47,895
Intergovernmental Receipts	8,275	12,465	20,740
Charges for Services	140	3,160	3,300
Fines, Licenses, and Permits	2,628	0	2,628
Earnings on Investments	706	68	774
Miscellaneous	3,668	3,793	7,461
Total Cash Receipts	51,146	31,652	82,798
Cash Disbursements:			
Current:			
Security of Persons and Property	0	17,494	17,494
Public Health Services	5,163	0	5,163
Basic Utility Services	1,175	2,440	3,615
Transportation	0	12,256	12,256
General Government	16,032	5,874	21,906
Capital Outlay	0	38,960	38,960
Total Cash Disbursements	22,370	77,024	99,394
Total Cash Receipts Over/(Under) Cash Disbursements	28,776	(45,372)	(16,596)
Other Financing Receipts/(Disbursements):			
Transfers-In		36,960	36,960
Transfers-Out	(37,460)		(37,460)
Total Other Financing Receipts/(Disbursements)	(37,460)	36,960	(500)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,684)	(8,412)	(17,096)
Fund Cash Balances, January 1	24,453	16,701	41,154
Fund Cash Balances, December 31	<u>\$ 15,769</u>	<u>\$ 8,289</u>	<u>\$ 24,058</u>
Reserves for Encumbrances, December 31	<u>\$ 426</u>	<u>\$ 305</u>	<u>\$ 731</u>

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

VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$ 262,981	\$ -	\$ 262,981
Earnings on Investments	0	75	75
	<u>262,981</u>	<u>75</u>	<u>263,056</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	3,865	280	4,145
Fringe Benefits	575	38	613
Contractual Services	70,502	99	70,601
Supplies and Materials	7,377	-	7,377
Other	444	-	444
	<u>82,763</u>	<u>417</u>	<u>83,180</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>180,218</u>	<u>(342)</u>	<u>179,876</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	34	-	34
Special Assessments	712	-	712
	<u>746</u>	<u>-</u>	<u>746</u>
Total Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Debt Service - Principal	104,167	-	104,167
	<u>104,167</u>	<u>-</u>	<u>104,167</u>
Total Non-Operating Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	76,797	(342)	76,455
Transfers-In	-	500	500
Net Receipts Over/(Under) Disbursements	76,797	158	76,955
Fund Cash Balances, January 1	<u>13,031</u>	<u>5,087</u>	<u>18,118</u>
Fund Cash Balances, December 31	<u>\$ 89,828</u>	<u>\$ 5,245</u>	<u>\$ 95,073</u>
Reserve for Encumbrances, December 31	<u>\$ 65</u>	<u>\$ 7</u>	<u>\$ 72</u>

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

VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 41,476	\$ 13,558	\$ 55,034
Intergovernmental Receipts	8,600	20,605	29,205
Charges for Services	-	1,500	1,500
Fines, Licenses, and Permits	4,315	-	4,315
Earnings on Investments	588	55	643
Miscellaneous	249	975	1,224
Total Cash Receipts	55,228	36,693	91,921
Cash Disbursements:			
Current:			
Security of Persons and Property	-	13,043	13,043
Public Health Services	4,775	-	4,775
Basic Utility Services	1,603	3,471	5,074
Transportation	-	25,212	25,212
General Government	27,499	1,685	29,184
Total Cash Disbursements	33,877	43,411	77,288
Total Cash Receipts Over/(Under) Cash Disbursements	21,351	(6,718)	14,633
Other Financing Receipts/(Disbursements):			
Transfers-In	-	4,900	4,900
Transfers-Out	(5,550)	-	(5,550)
Total Other Financing Receipts/(Disbursements)	(5,550)	4,900	(650)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,801	(1,818)	13,983
Fund Cash Balances, January 1	8,652	18,519	27,171
Fund Cash Balances, December 31	<u>\$ 24,453</u>	<u>\$ 16,701</u>	<u>\$ 41,154</u>
Reserves for Encumbrances, December 31	<u>\$ 382</u>	<u>\$ 232</u>	<u>\$ 614</u>

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

VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$ 122,603	\$ -	\$ 122,603
Earnings on Investments	-	100	100
Miscellaneous	-	5	5
Total Operating Cash Receipts	<u>122,603</u>	<u>105</u>	<u>122,708</u>
Operating Cash Disbursements:			
Personal Services	4,897	543	5,440
Fringe Benefits	723	79	802
Contractual Services	81,384	98	81,482
Supplies and Materials	6,432	-	6,432
Other	470	-	470
Total Operating Cash Disbursements	<u>93,906</u>	<u>720</u>	<u>94,626</u>
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	28,697	(615)	28,082
Non-Operating Cash Receipts:			
Intergovernmental Receipts	542,697	-	542,697
Proceeds from Loan	3,045,062	-	3,045,062
Special Assessments	938	-	938
Miscellaneous Receipts	116	-	116
Total Non-Operating Cash Receipts	<u>3,588,813</u>	<u>-</u>	<u>3,588,813</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	<u>3,638,360</u>	<u>-</u>	<u>3,638,360</u>
Total Non-Operating Cash Disbursements	<u>3,638,360</u>	<u>-</u>	<u>3,638,360</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>(20,850)</u>	<u>(615)</u>	<u>(21,465)</u>
Transfers-In	<u>0</u>	<u>650</u>	<u>650</u>
Cash Receipts Over/(Under) Cash Disbursements	<u>(20,850)</u>	<u>35</u>	<u>(20,815)</u>
Fund Cash Balances, January 1	<u>33,881</u>	<u>5,052</u>	<u>38,933</u>
Fund Cash Balances, December 31	<u>\$ 13,031</u>	<u>\$ 5,087</u>	<u>\$ 18,118</u>
Reserve for Encumbrances, December 31	<u>\$ 74</u>	<u>\$ 3</u>	<u>\$ 77</u>

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

VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Webster, Scioto County (Village), is a corporate body and politically established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council and a publicly elected Clerk and Mayor direct the Village. The Village provides for street and state highway maintenance, police protection, street lighting, and sewage facility operations.

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 the State.

C. Cash and Investments

The Village has a certificate of deposit, which is valued at cost.

D. Fund Accounting

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

General Fund

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

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 license tax money for constructing, maintaining and repairing Village streets.

State Highway - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing State Highways.

Street Light Fund - This fund receives property and other local taxes for the repair and erection of Village Street Lights.

VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following Enterprise Fund:

Sewage Operations – This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Fund (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Village had the following Fiduciary Fund:

Gazebo Fund – This fund received a lump sum amount to account to accrue interest, which is used for maintenance of the Village's gazebo. This fund is classified as a Nonexpendable Trust 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. The 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 1ST. 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 appropriated again. The Village did not encumber all commitments required by Ohio Law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2004 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.

VILLAGE OF SOUTH WEBSTER
 SCIOTO COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004 & 2003

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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>2004</u>	<u>2003</u>
Demand Deposits	\$ <u>114,131</u>	\$ <u>54,272</u>
Certificates of Deposit	<u>5,000</u>	<u>5,000</u>
Total Deposit	\$ <u>119,131</u>	\$ <u>59,272</u>

Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund	Budgeted Receipts	Actual Receipts	Variance
General	\$37,002	\$51,146	\$14,144
Special Revenue	90,860	68,612	(22,248)
Enterprise	240,000	263,727	23,727
Fiduciary	1,300	575	(725)
Total	\$369,162	\$384,060	\$14,898

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,835	\$60,256	\$1,579
Special Revenue	94,791	77,329	17,462
Enterprise	321,870	186,995	134,875
Fiduciary	890	423	467
Total	\$479,386	\$325,003	\$154,383

2003 Budgeted vs. Actual Receipts

Fund	Budgeted Receipts	Actual Receipts	Variance
General	\$34,100	\$55,227	\$21,127
Special Revenue	72,804	41,593	(31,211)
Enterprise	3,958,431	3,711,416	(247,015)
Fiduciary	1,299	755	(544)
Total	\$4,066,634	\$3,808,991	(\$257,643)

VILLAGE OF SOUTH WEBSTER
 SCIOTO COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004 & 2003

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,062	\$39,809	\$3,253
Special Revenue	89,143	43,642	45,501
Enterprise	3,843,276	3,732,340	110,936
Fiduciary	893	723	170
Total	<u>\$3,976,374</u>	<u>\$3,816,514</u>	<u>\$159,860</u>

4. PROPERTY TAXES

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at year end consisted of the following:

Loan	Interest Rate	Balance 12/31/2004
OWDA	0.00%	\$2,888,812

The Ohio Water Development Authority (OWDA) approved this loan to pay off a previous loan for which the Village was in default. The initial loan was to pay for the Village's wastewater treatment project. The Village has agreed to set utility rates sufficient to cover debt service payments.

The following is a debt payment schedule to repay this loan:

Year Ending December 31:	OWDA Loan
2005	\$104,167
2006	104,167
2007	104,167
2008	104,167
2009	104,167
Subsequent	<u>2,367,977</u>
Total	\$2,888,812

Note: All debt was issued during the audit period.

VILLAGE OF SOUTH WEBSTER
 SCIOTO COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004 & 2003

6. RETIREMENT SYSTEM

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

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgment, settlements and other expenses resulting for covered claims that exceed the members' deductibles. Casualty excess-of-loss contracts at December 31, 2004 and 2003 generally protect against individual losses exceeding \$100,000. Property coverage contracts protect against losses, subject to a deductible of \$1,000, limited to an annual aggregate loss of the greater of \$1,892,224 or 1% of total coverage. The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform to generally accepted accounting principals, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	3,424,271	3,653,152
Retained Deficit	<u>\$ (1,034,121)</u>	<u>\$ (1,841,812)</u>

8. COMPLIANCE

The General Fund and the Sewer Enterprise Fund had appropriations in excess of estimated receipts and available balances of \$380 and \$68,913 for 2004, respectively. The General Fund had appropriations in excess of estimated receipts and available balances of \$310 for 2003. Actual receipts were significantly less than estimated receipts in the following funds by year:

	<u>2004</u>	<u>2003</u>
Street Maintenance Repair		
Special Revenue Fund	\$20,319	\$20,657
Street Lights Special Revenue Fund	\$4,213	\$5,700
Senior Citizens Building Special Revenue Fund	\$0	\$3,225
Gazebo Nonexpendable Trust Fund	\$725	\$544

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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*

Members of Council
Village of South Webster
P.O. Box 38
South Point, Ohio 45682

We have audited the financial statements of the Village of South Webster, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 31, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.


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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003.

We noted other matters that have been reported to the management of the Village in a separate letter dated October 31, 2005.

Village of South Webster
Scioto 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 *Governmental Auditing Standards*
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 31, 2005

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code Section 5705.36 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.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During 2004, actual revenue was significantly less than estimated revenue in the Special Revenue Fund Type by \$22,248 and in the Fiduciary Fund by \$725.

During 2003, actual revenue was significantly less than estimated revenue in the Special Revenue Fund Type by \$31,211, in the Enterprise Fund Type by \$247,015, and in the Fiduciary Fund by \$544. The amount of the deficiency reduced available resources below the level of appropriation.

The Village should file a reduced amended Certificate of Estimated Resources upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The Village stated that they would monitor actual receipts versus the estimated receipts and make appropriate adjustments.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or order an expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This Section provides two "exceptions" to the above requirement.

- A. "Then and Now" Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, a sufficient sum was appropriated and free from any previous encumbrances, the Village Council (the taxing authority) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-002 (Continued)

- B. If the amount involved is less than \$1,000 (which was increased to \$3,000 on April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

Of the expenditures tested, none had the prior certification of the Village Clerk, and neither of the exception noted above were met. This could result in the Village spending more money than what is available.

The Village should obtain the fiscal officer's certification of the availability of funds prior to the commitment being incurred.

The Village stated that they would make every effort to comply with this section of law in the future.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Revised Code Section 5705.39 provides in part, "that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission,...".

The Village had appropriations which exceeded estimated revenue available for expenditure in the Sewer Enterprise Fund in the amount of \$68,913 for 2004. The Village also had appropriations which exceeded estimated revenue available for expenditure in the General Fund in the amount of \$380 for 2004 and \$310 for 2003. In all of the above cases the Village could have reduced appropriations below the estimated revenue.

The Village should monitor appropriations versus estimated revenues more closely and make appropriate changes to either their amended certificated or their appropriations depending on the situation.

The Village stated that they will make every effort to monitor this area more closely and make appropriate changes.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Material Citation with regard to the obligation of Village funds without prior certification of available revenue from the	No	Not Corrected. Reissued as Finding 2004-002
2002-002	Noncompliance Citation with regard to not making payments for OWDA Loan.	Yes	Corrected
2002-003	Noncompliance Citation with regard to not obtaining a Single Audit within time period.	N/A	Finding no longer valid. Did not meet the threshold for Federal expenditures.
2002-004	Noncompliance Citation with regard to not paying prevailing wage rate on Federal assisted project.	N/A	Finding no longer valid. Project was completed prior to audit period.



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VILLAGE OF SOUTH WEBSTER

SCIOTO 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 7, 2006**