

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of South Webster, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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 Accountants' 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 Accountants' 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2008

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**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

August 22, 2008

Village of South Webster
Scioto County
P.O. Box 38
South Webster, OH 45682

To the Village Council:

We have audited the accompanying financial statements of the **Village of South Webster, Scioto County, Ohio**, (the Village) 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.

Except as discussed in paragraph 6, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third 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 their changes in financial position or cash flows for the year then ended.

The Village did not provide adequate supporting documentation for charges for services sewer receipts to enable us to determine the completeness, occurrence, allocation, and rights and obligations of charges for services recorded in the Sewage Operations Fund, a Proprietary Fund Type, in the financial statements in 2006 and 2005, nor were we able to satisfy ourselves as to those receipts through the use of alternative procedures. These charges for services revenues represent 100 and 89 percent of revenues of the Proprietary Fund Type for the year ended December 31, 2006 and 2005, respectively.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain the information and documentation to support the completeness, occurrence, allocation, and rights and obligations of charges for services receipts in the Sewage Operations Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Village of South Webster, Scioto County, 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.

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 Government 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 August 22, 2008 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**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, 2006**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$ 11,722 | \$ 14,486 | \$ - | \$ 26,208 |
| Intergovernmental | 12,307 | 25,394 | - | 37,701 |
| Special Assessments | - | 134 | - | 134 |
| Charges for Services | - | 2,170 | - | 2,170 |
| Fines, Licenses, and Permits | 1,801 | - | - | 1,801 |
| Earnings on Investments | 1,118 | 100 | 184 | 1,402 |
| Miscellaneous | 2,550 | 28 | - | 2,578 |
| | <u>29,498</u> | <u>42,312</u> | <u>184</u> | <u>71,994</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | - | 11,749 | - | 11,749 |
| Public Health Service | 5,080 | - | - | 5,080 |
| Leisure Time Activities | - | - | 318 | 318 |
| Basic Utility Services | 1,884 | 3,485 | - | 5,369 |
| Transportation | - | 15,451 | - | 15,451 |
| General Government | 26,278 | 1,937 | - | 28,215 |
| | <u>33,242</u> | <u>32,622</u> | <u>318</u> | <u>66,182</u> |
| Total Cash Disbursements | <u>33,242</u> | <u>32,622</u> | <u>318</u> | <u>66,182</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>(3,744)</u> | <u>9,690</u> | <u>(134)</u> | <u>5,812</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Transfer-In | - | 4,660 | 200 | 4,860 |
| Transfer-Out | (4,860) | - | - | (4,860) |
| | <u>(4,860)</u> | <u>4,660</u> | <u>200</u> | <u>-</u> |
| Total Other Financing Receipts/(Disbursements) | <u>(4,860)</u> | <u>4,660</u> | <u>200</u> | <u>-</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (8,604) | 14,350 | 66 | 5,812 |
| Fund Cash Balances, January 1 | <u>18,699</u> | <u>14,118</u> | <u>5,050</u> | <u>37,867</u> |
| Fund Cash Balances, December 31 | <u>\$ 10,095</u> | <u>\$ 28,468</u> | <u>\$ 5,116</u> | <u>\$ 43,679</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 23</u> | <u>\$ 39</u> | <u>\$ -</u> | <u>\$ 62</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Proprietary Fund Types |
|--|-----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$ 219,146 |
| Total Operating Cash Receipts | 219,146 |
| Operating Cash Disbursements: | |
| Personal Services | 10,932 |
| Employee Fringe Benefits | 867 |
| Contractual Services | 75,853 |
| Supplies and Materials | 7,240 |
| Other | 1,967 |
| | 96,859 |
| Total Operating Cash Disbursements | 96,859 |
| Operating Income/(Loss) | 122,287 |
| Non Operating Cash Disbursements: | |
| Redemption of Principal | (156,250) |
| Total Non Operating Cash Disbursements | (156,250) |
| Excess of Cash Receipts Over/(Under) Cash Disbursements | (33,963) |
| Fund Cash Balances, January 1 | 90,367 |
| Fund Cash Balances, December 31 | \$ 56,404 |
| Reserve for Encumbrances December 31 | \$ 4 |

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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$ 15,784 | \$ 11,626 | \$ - | \$ 27,410 |
| Intergovernmental | 8,404 | 18,064 | - | 26,468 |
| Special Assessments | - | 70 | - | 70 |
| Charges for Services | - | 2,900 | - | 2,900 |
| Fines, Licenses, and Permits | 2,287 | - | - | 2,287 |
| Earnings on Investments | 781 | 42 | 114 | 937 |
| Miscellaneous | 300 | 20 | - | 320 |
| | <u>27,556</u> | <u>32,722</u> | <u>114</u> | <u>60,392</u> |
| Total Cash Receipts | | | | |
| | <u>27,556</u> | <u>32,722</u> | <u>114</u> | <u>60,392</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 495 | 11,542 | - | 12,037 |
| Public Health Service | 5,229 | - | - | 5,229 |
| Leisure Time Activities | - | - | 219 | 219 |
| Basic Utility Services | 1,371 | 2,499 | 90 | 3,960 |
| Transportation | - | 12,495 | - | 12,495 |
| General Government | 15,701 | 1,357 | - | 17,058 |
| Capital Outlay | 398 | - | - | 398 |
| | <u>23,194</u> | <u>27,893</u> | <u>309</u> | <u>51,396</u> |
| Total Cash Disbursements | | | | |
| | <u>23,194</u> | <u>27,893</u> | <u>309</u> | <u>51,396</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>4,362</u> | <u>4,829</u> | <u>(195)</u> | <u>8,996</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Transfers-In | - | 1,000 | - | 1,000 |
| Transfers-Out | (1,000) | - | - | (1,000) |
| | <u>(1,000)</u> | <u>-</u> | <u>-</u> | <u>(1,000)</u> |
| Total Other Financing Receipts/(Disbursements) | <u>(1,000)</u> | <u>1,000</u> | <u>-</u> | <u>-</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>3,362</u> | <u>5,829</u> | <u>(195)</u> | <u>8,996</u> |
| Fund Cash Balances, January 1 (Restated - See Note 9) | <u>15,337</u> | <u>8,289</u> | <u>5,245</u> | <u>28,871</u> |
| Fund Cash Balances, December 31 | <u>\$ 18,699</u> | <u>\$ 14,118</u> | <u>\$ 5,050</u> | <u>\$ 37,867</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 361</u> | <u>\$ 322</u> | <u>\$ -</u> | <u>\$ 683</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Proprietary Fund Types |
|--|-----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$ 219,972 |
| Total Operating Cash Receipts | 219,972 |
| Operating Cash Disbursements: | |
| Personal Services | 5,219 |
| Employee Fringe Benefits | 812 |
| Contractual Services | 115,595 |
| Supplies and Materials | 19,689 |
| Other | 1,223 |
| Total Operating Cash Disbursements | 142,538 |
| Operating Income/(Loss) | 77,434 |
| Non Operating Receipts: | |
| Property and other Local Taxes | 27 |
| Intergovernmental | 27,245 |
| Total Non-Operating Cash Receipts | 27,272 |
| Non Operating Disbursements: | |
| Redemption of Principal | (104,167) |
| Total Non Operating Cash Disbursements | (104,167) |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 539 |
| Fund Cash Balances, January 1 | 89,828 |
| Fund Cash Balances, December 31 | \$ 90,367 |
| Reserve for Encumbrances December 31 | \$ 50 |

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

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Webster, Scioto County, Ohio, (the Village) is a body politic and corporate 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, a publicly-elected Mayor, and an appointed Clerk. The Village provides general government services, including police services, maintenance of Village streets and highways 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 State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of Deposit are 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.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 received gasoline tax and motor vehicle 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 tax money for the repair and erection of Village street lights.

3. Permanent 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 Permanent Fund:

Gazebo Fund – This fund received a lump sum amount to accrue interest. The interest income is used to maintain the Village's gazebo. This fund is classified as a Nonexpendable Trust Fund.

4. 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 significant Enterprise Fund:

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

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

| | 2006 | 2005 |
|-------------------------|-------------|-------------|
| Demand deposits | \$95,083 | \$123,234 |
| Certificates of Deposit | 5,000 | 5,000 |
| Total deposits | 100,083 | 128,234 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 25,700 | \$ 29,498 | \$ 3,798 |
| Special Revenue | 54,500 | 46,972 | (7,528) |
| Permanent | 400 | 384 | (16) |
| Enterprise | 300,000 | 219,146 | (80,854) |
| Total | \$ 380,600 | \$ 296,000 | \$ (84,600) |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 44,359 | \$ 38,125 | \$ 6,234 |
| Special Revenue | 68,518 | 32,661 | 35,857 |
| Permanent | 451 | 318 | 133 |
| Enterprise | 390,367 | 253,113 | 137,254 |
| Total | \$ 503,695 | \$ 324,217 | \$ 179,478 |

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 27,577 | \$ 27,556 | \$ (21) |
| Special Revenue | 47,100 | 33,722 | (13,378) |
| Permanent | 800 | 114 | (686) |
| Enterprise | 262,250 | 247,244 | (15,006) |
| Total | \$ 337,727 | \$ 308,636 | \$ (29,091) |

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 42,345 | \$ 24,555 | \$ 17,790 |
| Special Revenue | 55,388 | 28,215 | 27,173 |
| Permanent | 1,045 | 309 | 736 |
| Enterprise | 329,827 | 246,755 | 83,072 |
| Total | \$ 428,605 | \$ 299,834 | \$ 128,771 |

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 67% of expenditures tested during both 2006 and 2005.

Contrary to Ohio Rev. Code Section 5705.36, budgeted receipts were more than actual receipts in the Street, Maintenance and Repair Fund, the Senior Citizen Building Fund, the Gazebo Fund and the Sewer Operations Fund for 2006. Budgeted receipts were more than actual receipts in the General Fund, the Street, Maintenance and Repair Fund, the State Highway Fund, the Street Lighting Fund, the Senior Citizen Building Fund, the Gazebo Fund and the Sewer Operations Fund for 2005.

4. PROPERTY TAX

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

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.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

| | Outstanding Principal | Interest |
|-----------|--------------------------|----------|
| OWDA Loan | \$ 2,655,641 | 0.00% |

The Ohio Water Development Authority (OWDA) approved this loan in 2004 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. An additional amount of \$27,246 was added by the OWDA to the outstanding principal during 2005. The Village has agreed to set utility rates sufficient to cover debt service payments.

Amortization of the above debt is scheduled as follows:

| Year ending December 31: | OWDA Loan |
|-----------------------------|--------------|
| 2007 | \$ 104,167 |
| 2008 | 104,167 |
| 2009 | 104,167 |
| 2010 | 104,167 |
| 2011 | 104,167 |
| Subsequent | 2,134,806 |
| Total | \$ 2,655,641 |

6. RETIREMENT SYSTEMS

Officials and employees, other than law enforcement officers, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2006 members of PERS contributed 9.0% and for 2005 members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.7% in 2006 and 13.55% in 2005 of participants’ gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

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 Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

The Pool pays judgment, settlements and other expenses resulting for covered claims that exceed the members' deductibles. Casualty excess-of-loss contracts at December 31, 2006 and 2005 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 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.

| | <u>as of 12/31/2006</u> |
|---------------------|-------------------------|
| Assets | \$ 2,331,284 |
| Liabilities | 3,130,475 |
| Accumulated Deficit | <u>\$ (799,191)</u> |

8. CONTINGENT LIABILITIES

Amount received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. RESTATEMENT OF PRIOR BALANCE

The balance of the General Fund reported at December 31, 2004 was restated from \$15,769 to \$15,337.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

August 22, 2008

Village of South Webster
Scioto County
P.O. Box 38
South Webster, OH 45682

To the Village Council:

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, 2006 and 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 22, 2008 wherein we qualified our opinion because we were unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of the charges for services sewage receipts. Also, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 thru 2006-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2006-003 thru 2006-006 described above are material weaknesses.

We noted other internal control matters we reported to the Village's management in a separate letter dated August 22, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2006-001 thru 2006-003.

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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2006-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

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

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2006-001 (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 67% of the expenditures tested in 2006 and 2005, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation/Significant Deficiency

Ohio Rev. 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 that was certified prior to making the appropriation or supplemental appropriation.

During 2006 and 2005, budgeted receipts were significantly more than actual receipts in the Sewage Operations Fund.

The Village did not obtain a reduced amended certificate when the actual receipts were less than the budgeted receipts.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

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

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2006-002 (Continued)

Ohio Rev. Code Section 5705.36 (Continued)

The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-003

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Rev. Code section 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

For the audit period the following documentation were not provided by Village:

- Charges for Services – no supporting documentation such as billing registers, payments registers or meter readings for sewer deposits were provided.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and irregularities occurring and not being detected by management in a timely manner. Without obtaining and reconciling to supporting documentation from the billing agency, the probability of detecting unrecorded receipts or uncollected revenues is reduced.

We recommend that the Village obtain, review and maintain billing registers, payment registers and meter readings from the billing agency.

Management's Response – We did not receive a response from the Village to this finding.

FINDING NUMBER 2006-004

Significant Deficiency/Material Weakness

Bank Reconciliation's

The Clerk did not prepare accurate monthly reconciliation's of bank balances to book balances. The lack of proper reconciliation's among the bank statements, cashbook and ledgers resulted in numerous errors, which remained undetected and/or uncorrected. During 2008, the Village hired the Auditor of State to perform Agreed-Upon Procedures for the purposes of reconciling cash.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

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

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2006-004 (Continued)

Bank Reconciliation's (Continued)

We recommend the Clerk prepare detailed bank reconciliation's that include all bank account balances being reconciled to total fund balances. Variances should be investigated and resolved in a timely manner. Copies of bank reconciliation's should be presented for Council's review and use in managing the Village. The Clerk should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook. Expenditures should be posted to those account codes as recorded on the Council approved vouchers

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-005

Significant Deficiency/Material Weakness

Billing Service Reconciliations

The Village should establish a formal reconciliation for utility transactions being billed and collected by the outside service organization. There was no evidence presented for audit that any type of reconciliation was being performed to the billings and receipts reported by the service organization. Without a formal reconciliation process, the probability of detecting unrecorded receipts or uncollected revenues is reduced. A formal reconciling procedure should be established that would check that all usage has been billed, that the billing rates are correct, and that proper collections are being made and turned over to the Village.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-006

Significant Deficiency/Material Weakness

Billing Service

The Village has delegated utility billing processing and collecting, which is a significant accounting function, to a billing agency. The Village has not established procedures to reasonably determine that utility billings have been completely and accurately processed and collected in accordance with the utility billing contract.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

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

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2006-006 (Continued)

Billing Service (Continued)

The Village should implement procedures to reasonably assure the completeness, and accuracy of utility billing and collecting processed by their billing agency. Statement on Auditing Standards No. 70 (SAS 70) prescribes testing and reporting standards for audits of bill processing controls which should satisfy this requirement. As described in that Statement, we suggest that the Village obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from the billing agency. Such a report, if unqualified, would provide evidence to the Village's management that utility billing and collecting were being processed in conformance with the contract.

We also recommend that the Village specify in their contract with the third party administrator that an annual SAS 70 audit report be performed. The Village should be provided a copy of the report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
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; <i>Explain</i> |
|----------------|---|------------------|--|
| 2004-001 | ORC Section 5705.36 Reduced Amended Certificates were not obtained | No | 2006-002 |
| 2004-002 | ORC Section 5705.41(D) Expenditures were not properly encumbered | No | 2006-001 |
| 2004-003 | ORC Section 5705.39 Appropriations exceeded estimated revenue available | Yes | |



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 6, 2008