



**VILLAGE OF BAIRDSTOWN  
WOOD COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF BAIRDSTOWN  
WOOD COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Village of Bairdstown  
Wood County  
101 ½ West Main Street  
North Baltimore, Ohio 45872-9309

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

September 26, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Bairdstown  
Wood County  
101 ½ West Main Street  
North Baltimore, Ohio 45872-9309

To the Village Council:

We have audited the accompanying financial statements of Village of Bairdstown, Wood County, (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.

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 requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 of the Village of Bairdstown, Wood 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 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 September 26, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

September 26, 2007



**VILLAGE OF BAIRDSTOWN  
WOOD 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$3,079			\$3,079
Intergovernmental	10,157	\$7,420		17,577
Special Assessments			\$2,782	2,782
Fines, Licenses and Permits	380			380
Miscellaneous	715	500		1,215
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	14,331	7,920	2,782	25,033
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	153		1,946	2,099
Public Health Services	45			45
Leisure Time Activities	10			10
Community Environment		500	15	515
Transportation		7,820		7,820
General Government	8,840			8,840
Debt Service:				
Redemption of Principal	2,333			2,333
Interest and Fiscal Charges	203			203
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	11,584	8,320	1,961	21,865
Total Receipts Over/(Under) Disbursements	2,747	(400)	821	3,168
<b>Other Financing Receipts:</b>				
Transfers-In	3,301			3,301
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	6,048	(400)	821	6,469
Fund Cash Balances, January 1	(1,322)	10,648	2,816	12,142
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$4,726</b>	<b>\$10,248</b>	<b>\$3,637</b>	<b>\$18,611</b>

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

**VILLAGE OF BAIRDSTOWN  
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$16,639
<b>Operating Cash Disbursements:</b>	
Personal Services	3,214
Contractual Services	18,660
Supplies and Materials	3,294
Total Operating Cash Disbursements	25,168
Operating Loss	(8,529)
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	900
Interest and Other Fiscal Charges	1,770
Deposit Refunds	4,095
Deposits Applied	680
Total Non-Operating Cash Disbursements	7,445
Excess of Disbursements Over Receipts Before Interfund Transfers	(15,974)
Transfers-In	2,203
Transfers-Out	(5,504)
Net Disbursements Over Receipts	(19,275)
Fund Cash Balance, January 1	\$19,275
<b>Fund Cash Balance, December 31</b>	<b></b>

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

**VILLAGE OF BAIRDSTOWN  
WOOD 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$3,544			\$3,544
Intergovernmental	9,648	\$5,772		15,420
Special Assessments			\$3,604	3,604
Fines, Licenses and Permits	580			580
Miscellaneous	495			495
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	14,267	5,772	3,604	23,643
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	300			300
Public Health Services	46			46
Community Environment		1,200		1,200
General Government	11,445		5,203	16,648
Debt Service:				
Redemption of Principal	2,186			2,186
Interest and Fiscal Charges	350			350
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	14,327	1,200	5,203	20,730
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(60)	4,572	(1,599)	2,913
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	(1,262)	6,076	4,415	9,229
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$1,322)</u></b>	<b><u>\$10,648</u></b>	<b><u>\$2,816</u></b>	<b><u>\$12,142</u></b>

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

**VILLAGE OF BAIRDSTOWN  
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$26,254
<b>Operating Cash Disbursements:</b>	
Personal Services	5,451
Contractual Services	16,980
Supplies and Materials	342
Other	300
Total Operating Cash Disbursements	23,073
Operating Income	3,181
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	900
Interest and Other Fiscal Charges	1,815
Total Non-Operating Cash Disbursements	2,715
Excess of Receipts Over Disbursements Before Interfund Transfers	466
Transfers-In	3,030
Transfers-Out	(3,030)
Net Receipts Over Disbursements	466
Fund Cash Balance, January 1	18,809
<b>Fund Cash Balance, December 31</b>	<b>\$19,275</b>

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

**VILLAGE OF BAIRDSTOWN  
WOOD 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 Bairdstown, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park operations. The Village contracts with the Northwestern Water and Sewer District for utility services and the Village of Bloomdale to receive fire protection services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**VILLAGE OF BAIRDSTOWN  
WOOD COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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

Park Fund – This fund receives donations to fund the maintenance of the park.

**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:

Construction Sewer Fund - This fund receives special assessment revenues for the purpose of construction, improvement, and maintenance of Village sewer lines.

Street Lights Fund - This fund receives special assessment revenues for maintenance of Village street lights.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

**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 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.

**VILLAGE OF BAIRDSTOWN  
WOOD COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 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.

**2. EQUITY IN POOLED CASH**

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

	2006	2005
Demand deposits	\$18,611	\$31,417

Deposits are 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	\$15,302	\$17,632	\$2,330
Special Revenue	4,212	7,920	3,708
Capital Projects	2,750	2,782	32
Enterprise	28,230	18,842	(9,388)
Total	\$50,494	\$47,176	(\$3,318)

**VILLAGE OF BAIRDSTOWN  
WOOD COUNTY**

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

**3. BUDGETARY ACTIVITY – (CONTINUED)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,161	\$11,584	\$4,577
Special Revenue	12,541	8,320	4,221
Capital Projects	6,238	1,961	4,277
Enterprise	40,758	38,117	2,641
Total	<u>\$75,698</u>	<u>\$59,982</u>	<u>\$15,716</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,861	\$14,267	(\$2,594)
Special Revenue	2,735	5,772	3,037
Capital Projects	2,575	3,604	1,029
Enterprise	33,230	29,284	(3,946)
Total	<u>\$55,401</u>	<u>\$52,927</u>	<u>(\$2,474)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,780	\$14,327	\$3,453
Special Revenue	5,991	1,200	4,791
Capital Projects	7,663	5,203	2,460
Enterprise	47,107	28,818	18,289
Total	<u>\$78,541</u>	<u>\$49,548</u>	<u>\$28,993</u>

Contrary to Ohio law the General Fund December 31, 2005 balance was negative.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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



**VILLAGE OF BAIRDSTOWN  
WOOD COUNTY**

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

**4. PROPERTY TAX – (CONTINUED)**

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 December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Business Loan	<u>\$1,852</u>	6.5%

The Business Loan relates to the construction of improvements to the Village hall. The loan will be repaid in monthly installments over 5 years.

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

Year ending December 31:	<u>Business Loan</u>
2007	<u>\$1,902</u>

**6. RETIREMENT SYSTEM**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include 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%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**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. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

VILLAGE OF BAIRDSTOWN  
WOOD COUNTY

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

7. RISK MANAGEMENT – (CONTINUED)

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Assets	\$2,331,284	\$ 2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>



**Mary Taylor, CPA**  
Auditor of State

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

Village of Bairdstown  
Wood County  
101 ½ West Main Street  
North Baltimore, Ohio 45872-9309

To the Village Council:

We have audited the financial statements of the Village of Bairdstown, Wood County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 26, 2007, 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 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 that 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.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

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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. However, we believe the significant deficiencies described above are also material weaknesses.

### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 26, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

September 26, 2007

**VILLAGE OF BAIRDSTOWN  
WOOD COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance/Material Weakness**

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. 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 Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For forty-eight percent of the transactions tested, prior certification was not obtained nor was a then and now certificate utilized.

**FINDING NUMBER 2006-001  
(Continued)**

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Fiscal Officer, and recorded against appropriations.

**Officials Responses:**

No response was received.

**FINDING NUMBER 2006-002**

**Noncompliance Citation/Material Weakness**

Ohio Revised Code § 5705.10(A) requires that all revenue derived from a source other than general property tax which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Ohio Rev. Code § 5705.10(H) states that monies paid into any fund shall be used only for the purposes for which such fund is established. A negative fund balance indicates money from one fund was used to cover the expenses of another fund.

Prior audit period fund adjustment for the General fund of \$2,181 was not posted to the Village's accounting records. The accompanying financial statement beginning 2005 General Fund balance was adjusted resulting in a \$1,322 negative December 31, 2005 General Fund balance.

As part of the monitoring process, Village Council should review financial records to make sure the amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

**Official's Response:**

No response was received.

**FINDING NUMBER 2006-003**

**Financial Reporting Material Weakness**

As a result of audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

- 2005 beginning fund balances did not agree to the 2004 audited ending balances due to the prior period audit adjustments not posted to the cashbook in the following amounts: General fund \$2,181, Special Revenue fund \$2,817, Capital Project fund \$674 and Enterprise fund \$87.
- In 2005, personal services in the amount of \$5,451 and supplies and materials expense in the amount of \$342 were classified as contractual services in the Enterprise Fund.
- Debt principal and interest payments in 2005 in the amounts of \$2,186 and \$350 and in 2006 in the amounts of \$2,333 and \$203 were classified as general government in the General Fund.

**FINDING NUMBER 2006-003  
(Continued)**

- In 2006, the following financial activity was not shown on the annual report: \$3,264 transfer between the General and Water funds; Capital Project Fund activity (beginning fund balance of \$3,490; special assessments of \$2,782; security of persons and property and community environment expenses of \$1,946 and \$15, respectively); Water fund charges for services of \$510;
- In 2006, Special Revenue Fund intergovernmental revenue (auto license) of \$2,235 was classified as fines, licenses, and permits.
- In 2006, contractual services in the amount of \$4,921; debt service principal in the amount of \$900, and debt service interest in the amount of \$1,770 were classified as basic utility services in the Enterprise Fund.
- In 2006, non-operating deposit refunds in the amount of \$4,095 were classified as other expenditures.
- In 2006, Enterprise Fund balance was overstated by \$86 consisting of a \$36 understatement of contractual services expenditures and \$50 for petty cash posted as a miscellaneous receipt when it was already included in the fund balance on the report.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements by the Fiscal Officer and Village Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

**Officials Responses:**

No response was received.

VILLAGE OF BAIRDSTOWN  
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDING  
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; <b><i>Explain</i></b>
2004-01	ORC § 5705.41(D) – Certification of funds	No	Reissued as finding 2006-001





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BAIRDSTOWN**

**WOOD 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 8, 2007**