



Dave Yost • Auditor of State

VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Wintersville
Jefferson County
200 Grove Street
Wintersville, Ohio 43953

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Wintersville, Jefferson County, (the Village) as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Wintersville, Jefferson County as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2013, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 22, 2013

**VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$161,928	\$329,458			\$491,386
Municipal Income Tax	950,606				950,606
Intergovernmental	89,382	251,229		\$66,608	407,219
Special Assessments		8,977			8,977
Charges for Services	55,261				55,261
Fines, Licenses and Permits	93,427	10,579			104,006
Earnings on Investments	2,862				2,862
Miscellaneous	62,429	250			62,679
<i>Total Cash Receipts</i>	<u>1,415,895</u>	<u>600,493</u>		<u>66,608</u>	<u>2,082,996</u>
Cash Disbursements					
Current:					
Security of Persons and Property	575,096	442,151			1,017,247
Public Health Services	12,021				12,021
Leisure Time Activities	28,369	19,687			48,056
Community Environment	3,803				3,803
Basic Utility Services	332,332				332,332
Transportation		201,806		66,608	268,414
General Government	307,683	509			308,192
Debt Service:					
Principal Retirement		43,859	\$23,600		67,459
Interest and Fiscal Charges		7,794	7,000		14,794
<i>Total Cash Disbursements</i>	<u>1,259,304</u>	<u>715,806</u>	<u>30,600</u>	<u>\$66,608</u>	<u>2,072,318</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>156,591</u>	<u>(115,313)</u>	<u>(30,600)</u>		<u>10,678</u>
Other Financing Receipts (Disbursements)					
Transfers In		68,160	30,000		98,160
Transfers Out	(128,160)				(128,160)
Advances In	60,200	60,200			120,400
Advances Out	(60,200)	(60,200)			(120,400)
Other Financing Sources		12,626			12,626
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(128,160)</u>	<u>80,786</u>	<u>30,000</u>		<u>(17,374)</u>
<i>Net Change in Fund Cash Balances</i>	28,431	(34,527)	(600)		(6,696)
<i>Fund Cash Balances, January 1</i>	<u>312,593</u>	<u>177,343</u>	<u>2,899</u>		<u>492,835</u>
Fund Cash Balances, December 31					
Restricted		142,816	2,299		145,115
Unassigned (Deficit)	341,024				341,024
<i>Fund Cash Balances, December 31</i>	<u>\$341,024</u>	<u>\$142,816</u>	<u>\$2,299</u>		<u>\$486,139</u>

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

VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$2,251,600		\$2,251,600
Fines, Licenses and Permits		\$121,578	121,578
<i>Total Operating Cash Receipts</i>	<u>2,251,600</u>	<u>121,578</u>	<u>2,373,178</u>
Operating Cash Disbursements			
Personal Services	394,471		394,471
Employee Fringe Benefits	234,855		234,855
Contractual Services	960,564		960,564
Supplies and Materials	198,847		198,847
Other	6,558	121,578	128,136
<i>Total Operating Cash Disbursements</i>	<u>1,795,295</u>	<u>121,578</u>	<u>1,916,873</u>
<i>Operating Income (Loss)</i>	<u>456,305</u>		<u>456,305</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	20,236		20,236
Capital Outlay	(23,480)		(23,480)
Principal Retirement	(215,846)		(215,846)
Interest and Other Fiscal Charges	(22,541)		(22,541)
Other Financing Uses		(22)	(22)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(241,631)</u>	<u>(22)</u>	<u>(241,653)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	214,674	(22)	214,652
Transfers In	30,000		30,000
<i>Net Change in Fund Cash Balances</i>	244,674	(22)	244,652
<i>Fund Cash Balances, January 1</i>	854,506	193	854,699
<i>Fund Cash Balances, December 31</i>	<u>\$1,099,180</u>	<u>\$171</u>	<u>\$1,099,351</u>

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

**VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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 Wintersville, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and sanitation utilities, park operations, and police services. The Village contracts with the Wintersville Volunteer Fire Department to receive fire protection services.

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. Deposits 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.

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue 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:

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

**VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Fire Levy Fund – This fund receives tax levy monies for fire protection contract expenditures.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Bond Debt Service Fund – This fund accumulates monies for the repayment of bonded debt.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Ohio Public Works Commission Grant Springdale Project Fund – This fund receives grant proceeds for the Village's paving project.

5. 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 Funds:

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Magistrate Court Activity.

E. Budgetary Process

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

**VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

Demand deposits	<u>2012</u> <u>\$1,585,490</u>
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Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2012 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,475,271	\$1,415,895	(\$59,376)
Special Revenue	741,478	681,279	(60,079)
Debt Service	30,000	30,000	0
Capital Projects	66,609	66,608	(1)
Enterprise	2,301,837	2,301,836	(1)
Total	\$4,615,195	\$4,495,738	(\$119,457)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,592,913	\$1,387,464	\$205,449
Special Revenue	3,699,947	715,806	2,984,141
Debt Service	41,181	30,600	10,581
Capital Projects	80,000	66,608	13,392
Enterprise	3,050,802	2,057,162	993,640
Total	\$8,464,843	\$4,257,640	\$4,207,203

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.

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

5. Local Income Tax

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the R.I.T.A either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2588	\$76,933	5.20%
General Obligation Bonds	\$268,300	5.87%
Building Construction Note	\$3,419	4.67%
Sam's Way Note	\$64,426	4.32%
Special Assessment Bond	\$75,000	4.60%
Ohio Public Works Commission Loan #CT32J	\$77,500	0.00%
Ohio Public Works Commission Loan #CN40M	\$39,320	0.00%
Chase Equipment Loan	\$25,194	4.20%
Total	<u>\$630,092</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The Village will repay the loan in semiannual installments over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Bonds relate to a capital facilities bond refunding issue and a street repaving project. The General Obligation bonds are collateralized by the village's taxing authority. The Village intends to repay bonds through local income tax receipts and charges for services.

An additional bond issue was used to repave Garden Drive and install curbs. A special assessment was placed on property owners and is collected by the County Auditor through property tax collections. The Village intends to repay bonds with the special assessments collected.

The Building Construction Note relates to a new garage built to house street maintenance trucks and sanitation trucks. The Village intends to repay this note through general receipts and sanitation charges for services.

The Sam's Way Note was used to finance a paving project in a particular neighborhood. A special assessment has been placed on the property owners on the street and will be collected through property tax collections of the County Auditor. The Village intends to repay bonds with the special assessments collected.

The Ohio Public Works Commission Loans were used to finance a road paving and reconstruction project and a Water Tank Refurbishment Project. The loan is collateralized by the Village taxing authority.

The Chase Equipment Loan was used to finance the purchase of an excavator. The loan will be repaid in annual installments over 5 years. Loans are collateralized by the Village taxing authority and the water and sewer charges for services receipts.

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

**VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

6. Debt (Continued)

Year ending December 31:	Special Assessment Bond	OPWC Loan CT32J	OPWC Loan CN40M	Chase Equipment Loan
2013	\$18,450	\$5,000	\$2,184	\$26,252
2014	17,760	5,000	2,184	
2015	17,070	5,000	2,184	
2016	16,380	5,000	2,184	
2017	15,690	5,000	2,184	
2018-2022		25,000	10,922	
2023-2027		25,000	10,922	
2028-2030		2,500	6,556	
Total	<u>\$85,350</u>	<u>\$77,500</u>	<u>\$39,320</u>	<u>\$26,252</u>

Year ending December 31:	OWDA Loan #2588	General Obligation Bonds	Building Construction Note	Sam's Way Note
2013	\$78,933	\$70,251	\$3,608	\$23,329
2014		76,929		23,329
2015		76,929		23,435
2016		76,891		
Total	<u>\$78,933</u>	<u>\$301,000</u>	<u>\$3,608</u>	<u>\$70,093</u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012, OP&F participants contributed 10% of their wages. For 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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Dave Yost • Auditor of State

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

Village of Wintersville
Jefferson County
200 Grove Street
Wintersville, Ohio 43907

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Wintersville, Jefferson County, (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2013, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-02 and 2012-03 described in the accompanying schedule of findings to be 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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 22, 2013.

Entity's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

May 22, 2013

VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2012-01

Noncompliance

Ohio Revised Code Section 5705.41(D) provides 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 that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This 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 officers' 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 no certificate is furnished as required, upon receipt of the clerk/treasurers' certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council 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. If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Village Council if such expenditure is otherwise valid.
2. **Blanket Certificate** - Fiscal Officer 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 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 may be outstanding a particular time for any line item appropriation.

The Clerk/Treasurer did not certify or record the amount against the applicable appropriation accounts for 36% of tested expenditures. When then and now certificates were utilized, the Clerk/Treasurer failed to obtain Council approval for certificates exceeding \$3,000. In addition, the Village used super blanket purchase orders for 50% of the expenditures tested and while the Village is permitted to use super blanket purchase orders to certify the availability of funds, their use is restricted for recurring and reasonably predictable expenditures. Of the 18 expenditures tested, for which super blanket purchase orders were used, three were not certified and six were used for nonrecurring and non-predictable expenditures.

**FINDING NUMBER 2012-01
 (Continued)**

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. 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, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used. In addition, the use of blanket certificates should be limited to a specific line item account.

The Clerk/Treasurer should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The clerk/treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Village should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2012-02

Material Weakness

The Clerk/Treasurer did not prepare monthly accurate bank reconciliations; therefore the Village did not maintain accounting records sufficient to reasonably assure accountability for all transactions.

Failure to maintain accurate monthly reconciliations increases the risk of discrepancies and errors occurring without detection and prevents the Village management from having accurate financial information. The following audit adjustments were necessary to reconcile the accounting records to the confirmed bank balances. The Clerk/Treasurer has agreed to the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have been posted to the Village's accounting records.

Fund Name	Account Type	Amount	Description
General	Earnings on investments	\$191	Interest overstated on the ledgers.
General	General government expenditures	\$93	Disbursement posted in incorrect accounting period.
General	Leisure time activities expenditures	\$450	Disbursement posted in incorrect accounting period.
General	Miscellaneous receipts	\$16	Unidentified posting error.

The Clerk/Treasurer should prepare accurate monthly bank to book reconciliations to reasonably assure that the Village has accounted for all transactions. The Clerk/Treasurer should investigate and document all discrepancies and errors noted when preparing the monthly reconciliations. In addition, the Clerk/Treasurer and the Council should carefully review the Village's current cash cycle procedures, identify weaknesses and implement procedures to adequately safeguard the Village's assets. Improving the cash cycle procedures will strengthen control over the Village's assets, reduce the risk of errors during the reconciliation process, and provide accurate financial records to the Village's management.

FINDING NUMBER 2012-03

Material Weakness

The Clerk/Treasurer did not correctly post all receipts and disbursements in 2012, which resulted in an adjustment to the financial statements. The Village Clerk/Treasurer has agreed to the adjustment and the corrected amount is reflected in the accompanying financial statements. The adjustment has been posted to the accounting ledgers.

Fund	Account Type	Amount	Description
Issue II - Springdale Capital Project	Intergovernmental revenue	\$66,608	To record Issue II revenue & expenditures in a Capital Project Fund.
	Transportation expenditures	\$66,608	

Failure to consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. Failure to maintain accurate monthly reconciliations increases the risk of discrepancies and errors going undetected. This also prohibits the Village from obtaining accurate cash balances at a given date.

The Clerk/Treasurer should refer to Auditor of State Bulletin 2000-008, which provides guidance on accounting for on-behalf-of programs when a local government or its residents are beneficiaries of the program. The Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The Village should adopt procedures for the review of posted transactions and subsequent financial statements.

Official's Response

The Village recently hired an experienced full time office clerical person who is actively working on improving the weaknesses noted in the Auditor of State report for 2012. Changes have already been incorporated to avoid these items from being a weakness in the future.

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**VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Revised Code Section 5705.10(C)	Yes	
2011-02	Ohio Revised Code Section 5705.41(D)	No	Not corrected. Reissued as finding number 2012-01
2011-03	Ohio Revised Code Section 5705.41(B)	Yes	
2011-04	Ohio Revised Code Section 5705.39 Appropriations exceeded Estimated Resources	Yes	
2011-05	Accurate Reconciliations	No	Not corrected. Reissued as finding number 2012-02
2011-06	Receipts and Disbursement Posting	No	Not corrected. Reissued as finding number 2012-03

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Dave Yost • Auditor of State

VILLAGE OF WINTERSVILLE

JEFFERSON 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
AUGUST 1, 2013**