



**VILLAGE OF CONGRESS
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CONGRESS
WAYNE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Congress
Wayne County
216 W. Mill Street
West Salem, Ohio 44287

To the Village Council:

We have audited the accompanying financial statements of the Village of Congress, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 19, 2002

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$13,229		\$13,229
Intergovernmental	13,533	\$2,914	16,447
Earnings on Investments	328		328
Miscellaneous	3,270		3,270
	<u>30,360</u>	<u>2,914</u>	<u>33,274</u>
Total Cash Receipts			
	<u>30,360</u>	<u>2,914</u>	<u>33,274</u>
Cash Disbursements:			
Current:			
General Government	11,998	3,000	14,998
Security of Persons and Property	6,622		6,622
Public Health Services	92		92
Leisure Time Activities	2,553	7	2,560
Transportation		684	684
Miscellaneous		27	27
	<u>21,265</u>	<u>3,718</u>	<u>24,983</u>
Total Cash Disbursements			
	<u>21,265</u>	<u>3,718</u>	<u>24,983</u>
Total Cash Receipts Over Cash Disbursements	<u>9,095</u>	<u>(804)</u>	<u>8,291</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		4,000	4,000
Transfers-Out	(4,000)		(4,000)
	<u>(4,000)</u>	<u>4,000</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(4,000)</u>	<u>4,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	5,095	3,196	8,291
Fund Cash Balances (Deficits), January 1	<u>(1,868)</u>	<u>6,592</u>	<u>4,724</u>
Fund Cash Balances, December 31	<u><u>\$3,227</u></u>	<u><u>\$9,788</u></u>	<u><u>\$13,015</u></u>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,936		\$12,936
Intergovernmental	11,967	\$2,776	14,743
Earnings on Investments	478		478
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	25,381	2,776	28,157
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	13,727		13,727
Security of Persons and Property	6,581		6,581
Public Health Services	449		449
Leisure Time Activities	664		664
Basic Utility Services		13,447	13,447
Transportation		15,092	15,092
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	21,421	28,539	49,960
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	3,960	(25,763)	(21,803)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Transfers-In		23,000	23,000
Transfers-Out	(18,000)	(5,000)	(23,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(18,000)	18,000	0
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(14,040)	(7,763)	(21,803)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	12,172	14,355	26,527
	<hr/>	<hr/>	<hr/>
Fund Cash Balances (Deficits), December 31	<u>(\$1,868)</u>	<u>\$6,592</u>	<u>\$4,724</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$97	\$140	\$237
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Congress, Wayne County, Ohio, (the Village) is a body corporate and politic 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. The Village provides street lighting and street repair and maintenance services. The Village contracts with the Wayne County Sheriff's department to provide security of persons and property and the Town and Country Fire District for fire protection and emergency medical services.

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

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 CONGRESS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 Fund:

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

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 and 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. Unencumbered appropriations lapse at year end. The Village did not adopt permanent appropriations for fiscal year 2001 or fiscal year 2000, contrary to Ohio Revised Code Section 5705.38.

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. The Village did not submit a certificate of available revenue to the County Budget Commission during fiscal year 2000, contrary to Ohio Revised Code Section 5705.36.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments contrary to Ohio Revised Code Section 5705.41(D).

A summary of 2000 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH

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

	2001	2000
Demand deposits	\$10,015	\$1,724
Certificates of deposit	3,000	3,000
Total deposits	\$13,015	\$4,724

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$30,360	\$30,360
Special Revenue	0	6,914	6,914
Total	\$0	\$37,274	\$37,274

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97	\$25,265	(\$25,168)
Special Revenue	140	3,718	(3,578)
Total	\$237	\$28,983	(\$28,746)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,112	\$25,381	\$269
Special Revenue	11,431	25,776	14,345
Total	\$36,543	\$51,157	\$14,614

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$39,518	(\$39,518)
Special Revenue	0	33,679	(33,679)
Total	\$0	\$73,197	(\$73,197)

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Budgetary expenditures exceeded appropriation authority in all funds in fiscal year's 2001 and 2000 contrary to Ohio Revised Code Section 5705.41(B).

4. FUND DEFICIT

The General Fund had a \$1,868 cash deficit balance at December 31, 2000 contrary to Ohio Revised Code Section 5705.10.

5. PROPERTY TAX

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

6. RETIREMENT SYSTEM

The Mayor, Clerk/Treasurer and Council Members 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Computer equipment, theft or damage;
- Errors and omissions.

The Village is uninsured for the following risks:

- Comprehensive property and general liability.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Congress
Wayne County
216 W. Mill Street
West Salem, Ohio 44287

To the Village Council:

We have audited the accompanying financial statements of the Village of Congress, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 19, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-30985-001 through 2001-30985-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2001-30985-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 19, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 19, 2002

VILLAGE OF CONGRESS
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

Material Noncompliance

FINDING NUMBER 2001-30985-001

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

This section also provides for two "exceptions" to the above requirements:

- a. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's 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, Village 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
- b. If the amount involved is less than \$1,000, the Clerk/Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid

During the audit period 58 out of 60 expenditures tested (97%) were not certified by the Clerk/Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above was utilized for the items found to be in non-compliance. The Village should certify the availability of funds prior to incurring the obligation for expenditures. The Village should also implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2001-30985-002

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure be passed. The Village may pass a temporary appropriation measure to meet their ordinary expenses until April 1, at which time a permanent appropriation measure must be passed.

The Village did not adopt a permanent appropriation measure for the years 2001 and 2000. As a result, expenditures made during those years were not legally expended. The Village should adopt a permanent appropriation measure by April 1 each year.

**Material Noncompliance
(Continued)**

FINDING NUMBER 2001-30985-003

Ohio Rev. Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units certify to the County Auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year.

The Village did not file its certificate of available revenue for fiscal years 2001 and 2000 with the County Auditor. The Village should file its certificate of available resources with the County Auditor on or about the first day of each fiscal year.

FINDING NUMBER 2001-30985-004

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

At December 31, 2001 and 2000, expenditures exceeded appropriations in all funds as follows:

<u>2001</u> Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97	\$25,265	(\$25,168)
Special Revenue Fund	140	3,718	(3,578)

<u>2000</u> Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$33,518	(\$33,518)
Special Revenue Fund	0	33,679	(33,679)

The Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending.

FINDING NUMBER 2001-30985-005

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. The General Fund maintained a \$1,868 deficit.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of this fund. Fund activity should be monitored to prevent future expenditures in excess of available resources.

Reportable Condition

FINDING NUMBER 2001-30985-006

The Village was not covered by general liability insurance during 2001 and 2000. Not maintaining liability insurance could increase the Village's financial exposure to lawsuits or other legal actions which may arise.

The Village should maintain liability insurance coverage.

**VILLAGE OF CONGRESS
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30985-001	Ohio Rev. Code Section 5705.41(D) – expenditures were not properly certified	No	Not corrected
1999-30985-002	Ohio Rev. Code Section 5705.39 – appropriations exceeded estimated resources.	Yes	
1999-30985-003	Ohio Rev. Code Section 5705.41(B) – budgetary expenditures exceeded appropriations.	No	Not corrected
1999-30985-004	Ohio Rev. Code Section 5705.09 – failure to establish a special fund for each class of revenue.	Yes	Finding No Longer Valid
1999-30985-005	Ohio Rev. Code Section 149.43 – public records were not readily available.	Yes	Finding No Longer Valid
1999-30985-006	26 C.F.R. Section 1.6041-1 – minimum gross compensation of \$600 for services rendered was not reported on Form 1099.	Yes	
1999-30985-007	Material Weakness – improvements to voucher accounting and maintenance procedures were suggested.	Yes	
1999-30985-008	Reportable Condition – property inventory list was not maintained.	No	Finding No Longer Valid
1999-30985-009	Reportable Condition – Village was not covered by general liability insurance	No	Not corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF CONGRESS

WAYNE 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 27, 2002**