



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF REPUBLIC  
SENECA COUNTY

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# Mary Taylor, CPA Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Republic  
Seneca County  
219 Washington Street  
P.O. Box 219  
Republic, Ohio 44867-0219

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Republic, Seneca County, (the Village) as of and for the year ended December 31, 2005 following Ohio Admin. Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 31, 2007

**VILLAGE OF REPUBLIC  
SENECA 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$31,094		\$31,094
Intergovernmental Receipts	74,575	\$33,705	108,280
Fines, Licenses, and Permits	8,693		8,693
Earnings on Investments	7,733	2,255	9,988
Miscellaneous	5,457	1,325	6,782
	<u>127,552</u>	<u>37,285</u>	<u>164,837</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	59,600		59,600
Public Health Services	1,313		1,313
Leisure Time Activities	11,950		11,950
Community Environment	3,451		3,451
Basic Utility Services	7,029	4,626	11,655
Transportation	3,409	22,775	26,184
General Government	56,828	1,154	57,982
	<u>143,580</u>	<u>28,555</u>	<u>172,135</u>
Total Receipts Over/(Under) Disbursements	<u>(16,028)</u>	<u>8,730</u>	<u>(7,298)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Sale of Capital Assets	3,950		3,950
Other Financing Uses	(1,380)		(1,380)
	<u>2,570</u>		<u>2,570</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,458)	8,730	(4,728)
Fund Cash Balances, January 1	<u>45,087</u>	<u>41,291</u>	<u>86,378</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$31,629</u></b>	<b><u>\$50,021</u></b>	<b><u>\$81,650</u></b>
Reserves for Encumbrances, December 31	<u>\$1,191</u>	<u>\$308</u>	<u>\$1,499</u>

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

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$520,360
Miscellaneous	260
	520,620
<b>Operating Cash Disbursements:</b>	
Personal Services	76,225
Fringe Benefits	20,339
Contractual Services	242,610
Supplies and Materials	64,993
Other	1,548
	405,715
Operating Income	114,905
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	154,186
Other Non-Operating Receipts	8,844
	163,030
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	61,691
Capital Outlay	202,150
	263,841
Net Receipts Over Disbursements	14,094
Fund Cash Balances, January 1	593,943
<b>Fund Cash Balances, December 31</b>	<b>\$608,037</b>
Reserve for Encumbrances, December 31	\$1,613

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

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 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 Republic, Seneca County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water, sewer and electric utilities, and police.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash**

The Village values certificates of deposit 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 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 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.



**VILLAGE OF REPUBLIC  
SENECA COUNTY**

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

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

**3. 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:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs. This fund also receives state and federal funds to finance a water and sewer plant expansion project

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**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 and function level for the General Fund and at fund level for all other funds, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 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 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.

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

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

**2. EQUITY IN POOLED CASH**

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

	2005
Demand deposits	\$389,687
Certificates of deposit	300,000
Total deposits	\$689,687

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2005 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,000	\$131,502	(\$3,498)
Special Revenue	26,978	37,285	10,307
Enterprise	369,500	683,650	314,150
Total	\$531,478	\$852,437	\$320,959

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$182,775	\$146,151	\$36,624
Special Revenue	3,300	28,863	(25,563)
Enterprise	953,933	671,169	282,764
Total	\$1,140,008	\$846,183	\$293,825

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

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

**4. PROPERTY TAX – (CONTINUED)**

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$11,334	0.00%
Sewer System Mortgage Revenue Bonds	1,341,000	4.50%
Total	<u>\$1,352,334</u>	

The Ohio Water Works Commission (OPWC) loan relates to a valve replacement project. The OPWC has approved up to \$28,338 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$1,416.90 over 10 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts.

Proceeds from the Sewer System Mortgage Revenue Bonds were used to finance the water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The United States Department of Agriculture (USDA) through Rural Development purchased the bonds through the Village to pay off the OWDA loan in full. The USDA determined the scheduled payments based on the amounts actually borrowed. The loan is collateralized by sewer receipts. The Village's taxing authority collateralizes General Obligation Bonds.

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

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

**5. DEBT – (CONTINUED)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	OPWC Loan	Sewer System Mortgage Bonds
2006	\$2,834	\$73,645
2007	2,834	73,547
2008	2,834	73,587
2009	2,832	73,582
2010		73,603
2011-2015		367,967
2016-2020		368,017
2021-2025		368,006
2026-2030		367,848
2031-2035		367,926
2036-2040		367,935
2041-2045		294,361
Total	\$11,334	\$2,870,024

**6. RETIREMENT SYSTEM**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Commercial Umbrella/Excess Liability;
- Vehicles; and
- Electronic Data Processing.

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

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

**8. JOINT VENTURE**

The Village of Republic is a Financing Participant with an ownership percentage of .08 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005, Republic has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$7,426 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Republic  
Seneca County  
219 Washington Street  
P.O. Box 219  
Republic, Ohio 44867-0219

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Republic, Seneca County, (the Village), as of and for year ended December 31, 2005, following Ohio Admin. Code § 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

### Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2005-012 through 2005-027.

### Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2005-001 through 2005-011.

Village of Republic  
Seneca County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Page 2

We intend this report solely for the information and use of the audit committee, management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

January 31, 2007



**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**FINDING NUMBER 2005-001**

**Finding for Recovery – Credit Card Charges**

While the Village does not have a formal credit card policy on file, the Village gas card procedures require gas cards to be used when a District vehicle is in use.

Between July 2005 and April 2006, Teresa Sutter, the former fiscal officer, made unauthorized charges to the Village's Capital One credit card totaling \$1,161.85. According to a review of charges on the credit card statements, Mrs. Sutter was using the card for her own personal usage. The credit card billings were approved by and paid for by Mrs. Sutter.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Teresa Sutter, former fiscal officer, and Ohio Farmers Insurance Company, Mrs. Sutter's bonding company, jointly and severally, in the amount of \$1,161.85 in favor of the Village's General Fund.

**Management's Response**

The Council agrees with the finding. This matter has been referred to the Seneca County Prosecutor for further review in conjunction with pending litigation.

**FINDING NUMBER 2005-002**

**Finding for Recovery – Utility Deposits**

Teresa Sutter, the former fiscal officer, was responsible for the collection and deposit of utility receipts for the Village. From January 2005 through February 2006 there were discrepancies between the utility documentation supporting receipts made to utility accounts and the amounts deposited into the bank. The two accounts in question belonged to the former fiscal officer, Teresa Sutter, and her cousin, Patricia Perkins. Ms. Perkins was sworn in as a council person in November of 2005.

Mrs. Sutter's account had seven payments posted for a total amount of \$1,520.75, but there was no record of deposits being made. Ms. Perkin's account had eight payments posted for a total amount of \$1,246.98 with no supporting deposits.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money converted or misappropriated is hereby issued against Teresa Sutter, former fiscal officer, and Ohio Farmer's Insurance Company, Mrs. Sutter's bonding company, jointly and severally, in the amount of \$2,767.73 in favor of the Village's Electric Fund.

**Management's Response**

The Council agrees with the finding. This matter has been referred to the Seneca County Prosecutor for further review in conjunction with pending litigation.

**FINDING NUMBER 2005-003**

**Finding for Recovery – Payroll**

Teresa Sutter, the former fiscal officer, received unauthorized payroll checks from June 30, 2004 through April 7, 2006 for a total amount of overpayment of \$29,478.13. During this time, she claimed additional time compared to the time actually worked as well as issued additional paychecks without Council approval.

Fiscal Year	Amount
2004	\$6,975.62
2005	19,436.09
2006	3,066.42
Total	\$29,478.13

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Teresa Sutter, former fiscal officer, and Ohio Farmers Insurance Company, Mrs. Sutter's bonding company, jointly and severally, in the amount of \$29,478.13 in favor of the Village's General Fund.

**Management's Response**

The Council agrees with the finding. This matter has been referred to the Seneca County Prosecutor for further review in conjunction with pending litigation.

**FINDING NUMBER 2005-004**

**Finding for Recovery – Accounting**

The former fiscal officer, Teresa Sutter, issued unauthorized accounting checks to herself from March 2004 to March 2006 in the amount of \$9,113.67. Types of expenditures included reimbursements for mileage, cleaning, supplies, and insurance reimbursements. Receipts could not be located in support of these unauthorized expenditures. Furthermore, additional checks that had been cashed and endorsed by the former fiscal officer were later voided in the accounting system.

Fiscal Year	Amount
2004	\$1,382.96
2005	924.89
2006	6,805.82
Total	\$9,113.67

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Teresa Sutter, former fiscal officer, and Ohio Farmers Insurance Company, Mrs. Sutter's bonding company, jointly and severally, in the amount of \$9,113.67 in favor of the Village's General Fund.

**Management's Response**

The Council agrees with the finding. This matter has been referred to the Seneca County Prosecutor for further review in conjunction with pending litigation.

## FINDING NUMBER 2005-005

### Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the Fiscal Officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that 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 collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 Council.

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 Council 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 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.

Eighty-three percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-005  
 (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 help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer and recorded against appropriations.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-006**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states in part that no subdivision is to expend money unless it has been lawfully appropriated as provided in this chapter. As of December 31, 2005, the Village had expenditures that exceeded appropriations as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
<b>Special Revenue Fund:</b>			
Street Construction Maintenance and Repair Fund		\$28,677	(\$28,677)

This situation could allow deficit balances to occur if spending is not limited to appropriations. The Village Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Fiscal Officer may request the Council approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-007**

**Noncompliance Citation**

Ohio Revised Code §5705.34 provides in part that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1, unless a later date is approved by the tax commissioner. The Village did not pass a resolution authorizing the necessary tax levies in FY05. As a result, the Village is not in compliance with Ohio Law. We recommend the Village certify the tax levies by the required date.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

#### **FINDING NUMBER 2005-008**

##### **Noncompliance Citation**

Ohio Revised Code § 5705.36(A)(1) provides in part that on or about the first day of each fiscal year, the Fiscal Officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, with any balances that existed at the end of the preceding year. The Fiscal Officer did not certify the total amount from all sources until January 26, 2006, for FY2005. We recommend the Village file the above form on or about the first day of each fiscal year.

##### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

#### **FINDING NUMBER 2005-009**

##### **Noncompliance Citation**

Ohio Revised Code § 5705.38 provides in part that on the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village did not pass their 2005 annual appropriation measure until May 2, 2005. We recommend the Village adopt their annual appropriation measure by the April 1 deadline if a temporary appropriation measure was passed.

##### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

#### **FINDING NUMBER 2005-010**

##### **Noncompliance Citation**

Ohio Revised Code § 4111.03(A) states an employer shall pay an employee for overtime at a wage rate of one and one-half times the employee's wage rate for hours worked in excess of forty hours in one workweek, in the manner and methods provided in and subject to the exemptions of section 7 and section 13 of the "Fair Labor Standards Act of 1938," 52 Stat. 1060, 29 U.S.C.A. 207, 213, as amended. A Village employee was paid at his straight rate rather than time and half for overtime worked during several pay periods during 2005. We recommend the Fiscal Officer reimburse overtime worked in accordance to the above code sections.

##### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

#### **FINDING NUMBER 2005-011**

##### **Noncompliance Citation**

Village Ordinance #2001-04 Kilowatt-Hour Distribution Tax from the General Fund to the Electric Fund, adopted April 16, 2001 approves the transfer of 100 percent of the funds received into the General Fund generated by the collection of the kilowatt-hour distribution tax on the distribution of kilowatt hours of electricity to end users located within the municipal corporate boundaries in accordance with the provisions of Ohio Revised Code § 5727.80 et. seq. to the Electric Enterprise Fund, pursuant to the authority found in Ohio Revised Code Chapter 5705. The Village did not transfer this tax to the Electric Enterprise Fund during 2005. We recommend the Village follow the Ordinance adopted by the Village Council in order to allow the Electric Fund to receive as much local revenue as possible to contribute toward services provided by the Electric Fund.

##### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

#### **FINDING NUMBER 2005-012**

##### **Bank Reconciliations/Monthly Financial Reports**

Monthly bank reconciliations and financial reports should be completed by the Fiscal Officer and approved by Council. To ensure that the records are up to date and in balance, Council and/or the Finance/Audit Committee should review the records to ensure all amounts are properly posted, all the records are in agreement and in balance with the bank and that an annual financial report accurately reflects the activity and balances of the Village. The Village Fiscal Officer does perform monthly reconciliations, but they are not reviewed and approved by Council and no evidence was presented that the Fiscal Officer prepared monthly financial reports to present to Council.

These weaknesses could lead to cash going un-reconciled without Council's knowledge. To improve controls over cash, we recommend the Fiscal Officer perform a monthly reconciliation consisting of fund balances, bank statements, investment balances, and a detail of outstanding checks. This should be submitted to Council monthly. Council should review the reconciliation and document their approval either by signing the reconciliation or approving the reconciliation in their minutes. The Fiscal Officer should also provide Council with monthly financial statements that include comparisons of budget and actual receipts and disbursements.

##### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

#### **FINDING NUMBER 2005-013**

##### **Minutes**

The minutes of a regular or special meeting of any public body should be promptly prepared and signed (or attested) by the Fiscal Officer and by the Mayor or Council President. Several minute records during 2005 were not signed by the Mayor or President of Council. This weakness could allow actions of the Council to be made contrary to Council's intentions without detection. We recommend minutes be signed (or attested) by the Mayor or Council President on a timely basis.

**FINDING NUMBER 2005-013  
(Continued)**

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-014**

**Utility Data Offsite Backups**

The Village stores daily backups at an off-site location on a quarterly basis. Daily backups are stored in the Village Hall utility office. In the event of a natural disaster, the daily backups could be destroyed along with the Village's utility billing computer system. To strengthen controls and to assure that any loss data is kept to a minimum, we recommend the Village store backups in a secure off-site location daily.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-015**

**Revenues**

There were several errors made in posting revenues which resulted in amounts being posted to the incorrect fund and/or account. This causes the financial statements to incorrectly reflect the activity and balances of the Village.

We recommend the Fiscal Officer review the administrative code and Village handbook requirements for posting revenues and take care to ensure the revenues are posted to the appropriate fund and account. In addition, the finance committee should periodically review the postings for accuracy.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-016**

**Vacation and Sick Leave Records**

No vacation or sick leave records were maintained for Village employees. Also, the Village does not require leave forms for vacation or sick leave used. This lack of record keeping could result in unauthorized leave usage or payment received over and above what employees are entitled to. To strengthen the controls over the vacation and sick leave usage, we recommend the Village maintain a ledger for the different types of leave including the beginning balance plus any accumulation less any usage leaving the unused balance.

**FINDING NUMBER 2005-016  
(Continued)**

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-017**

**Utility Adjustments**

The utility department did not have a written policy regarding which utility personnel have the authority to approve certain noncash adjustments to customer accounts. This control weakness could result in customer accounts being adjusted by unauthorized personnel or for unauthorized purposes. We recommend the Village adopt a written policy outlining allowable adjustments and persons authorized to approve customer adjustments.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-018**

**Personnel Policy**

The Village personnel policy has not been revised or updated since March 2, 1998 and does not include several changes made per Ordinances pertaining to personnel matters. The personnel policy manual should be updated or revised periodically to address changes made by Council. This weakness could allow benefits to be granted contrary to the intentions of Council. We recommend the Village update the personnel policy manual.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-019**

**Expenditure Approval**

The Village Administrator is the designated purchasing agent for the Village. The Village Administrator did not approve expenditures for 23% of the transactions tested. This limits control and accountability over the approval process of disbursements. We recommend the Village Administrator approve all purchase orders or blanket certificates.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.



#### **FINDING NUMBER 2005-020**

##### **Collection Policy**

The Village utility billing records indicate old outstanding accounts that had not been collected or written off in a timely manner, totaling approximately \$8,534. This limits control and accountability of the Village's operations and increases the possibility of errors or irregularities occurring and not being detected in a timely manner. To improve control and accountability over the Village's revenues, we recommend a policy be adopted by the Council for a stringent guideline to collect delinquent accounts. Once payment is deemed uncollectible, the Council should write-off any uncollectible accounts in a timely manner.

##### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

#### **FINDING NUMBER 2005-021**

##### **Credit Card Policy**

The Village had not adopted a policy regarding the use of a Village credit card. As a result, the card users have not been provided formal guidelines pertaining to the use of the card which resulted in unauthorized use. We recommend the Village establish a written policy regarding credit card usage which includes at a minimum, 1) the persons authorized to use the card, 2) the maximum dollar amounts which can be spent, 3) restrictions on using the credit cards for personal use, 4) requirement that original store receipts be submitted to the Fiscal Officer to support the monthly statement, 5) allowable purchases and any specific unallowable items, if applicable. The Village's officials should review the Auditor of State's Winter 2004 publication *Best Practices*, which includes other recommendations and examples of suitable credit card policies. You can view this publication at [www.auditor.state.oh.us](http://www.auditor.state.oh.us) under *Publications*.

##### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

#### **FINDING NUMBER 2005-022**

##### **Payroll Approval**

There was no evidence of any review of the Fiscal Officer's bi-weekly payroll sheets. Lack of a review allowed for errors or discrepancies to occur and not be detected in the normal course of operations. We recommend the Fiscal Officer's bi-weekly payroll sheets be approved by the Mayor.

##### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

### **FINDING NUMBER 2005-023**

#### **Capital Assets**

The Village does not maintain an inventory record of the Village's capital assets. To ensure that all the Village's capital assets are accurately accounted for, we recommend that a capital asset record be maintained identifying assets acquired or disposed. In addition, an annual physical inventory should be performed to verify information already on the capital assets records. The inventory record should also identify capital assets purchased with federal funds. Failure to maintain inventory records of capital assets could result in the misappropriation of assets.

#### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

### **FINDING NUMBER 2005-024**

#### **Audit Committee**

The Village had established an audit committee but no evidence was presented that they met. The primary functions of such a committee are to monitor and review the Village's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the Village's independent auditors before and after each audit;
- Monitoring the progress of the financial and compliance Audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the Village's legal compliance, financial condition, and controls over the safeguarding of assets.

#### **Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

### **FINDING NUMBER 2005-025**

#### **Safeguarding Deposits**

In addition to the safeguards provided by Ohio Rev. Code Chapter 135, the Village should periodically do the following to help assure its deposits are secure:

- Obtain a listing of pledged collateral from the financial institution.
- Compare the fair value of the collateral plus the Federal Depository Insurance Corporation (FDIC) insurance with the value of the deposits the financial institution holds.
- Determine whether securities pledged conform with the securities eligible for pledging listed in Ohio Revised Code Section 135.18(B).

**FINDING NUMBER 2005-025  
(Continued)**

- Confirm securities pledged with the qualified trustee.
- Annually obtain the financial institution's audited financial statements. Consider the adequacy of the institution's capital and its profitability in recent years. Also, consider the type of transactions it undertakes, whether it takes large speculative positions and its management's experience and background.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

**FINDING NUMBER 2005-026**

**Disaster Recovery Plan**

In order to ensure minimal disruption to services in the event of a disaster, the Village should maintain a comprehensive disaster recovery plan that identifies procedures to perform which permit the Village to continue processing information. Data processing contingency plans identify arrangements for alternative data processing on compatible hardware and software. A proper plan removes as much time-consuming decision making as possible from the period immediately following the disaster.

The Village does not have a formal Disaster Recovery Plan for their utility billing computer system. Without documented business recovery procedures and an alternate processing site, critical resources and processing may not be restored in a timely and efficient manner. As a result, the Village could incur substantial costs in attempting to retrieve and recreate pertinent financial information for internal and external purposes.

An elaborate plan may not be necessary; however, additional tasks should be performed to ensure efficient recovery if a disaster occurs. We recommend at a minimum, the following be developed:

- Recovery Terms and Definitions.
- Technical (Hardware/Software) Recovery Procedures.
- End User Recovery Procedures.
- Readiness Plan.
- Emergency Contact List.

Once completed, the plan should be periodically reviewed and tested to ensure its continued applicability. This review should also ensure that personnel are sufficiently trained to carry out procedures necessary to restore functions critical to business operations. All individuals responsible for the disaster recovery plan tasks should be knowledgeable of their duties and retain a copy of the plan. Additionally, an updated copy of the plan and restore procedure documentations should be kept off-site.

**Management's Response**

The Council agrees with the finding. This matter is in the process of being corrected.

## FINDING NUMBER 2005-027

### Cell Phone Policy

The Village provides cell phones for the use of various Village employees. The use of these items should be specified in a policy established by the Village's legislative body. These policies should, at a minimum, identify authorized users; guidelines for allowable use; method of reimbursement (if personal use is allowed); specific unallowable uses; reporting; monitoring of use by appropriate levels of management; and other guidelines deemed appropriate by the legislative body. The Village does not have a formal cell phone policy. This could result in unauthorized usage and loss of public funds. We recommend the Village adopt a formalized policy that is approved by Council. The Village's officials should review the Auditor of State's Spring 2004 publication, *Best Practices*, which includes other recommendations and examples of suitable cell phone policies. You can view this publication at [www.auditor.state.oh.us](http://www.auditor.state.oh.us) under *Publications*.

### Management's Response

The Council agrees with the finding. This matter is in the process of being corrected.

**VILLAGE OF REPUBLIC  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 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>
2004-001	Ohio Revised Code § 5705.41 (D)(1), failure to certify all funds.	No	Not corrected. Repeated as Finding #2005-005
2004-002	Ohio Revised Code § 5705.41 (B), expenditures exceeded appropriations.	No	Not corrected. Repeated as Finding #2005-006
2004-003	Ohio Revised Code § 5705.36 and 5705.39, failure to obtain an increased amended certificate of estimated resources and to increase appropriations.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF REPUBLIC**

**SENECA 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  
FEBRUARY 22, 2007**