



**Auditor of State
Betty Montgomery**

VILLAGE OF NEW ATHENS
HARRISON COUNTY

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**Auditor of State
Betty Montgomery**

Village of New Athens
Harrison County
162 South Main Street
P O Box 126
New Athens, Ohio 43981

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

August 26, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Athens
Harrison County
162 South Main Street
P O Box 126
New Athens, Ohio 43981

To the Village Council:

We have audited the accompanying financial statements of Village of New Athens, Harrison County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of New Athens, Harrison County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 26, 2005

VILLAGE OF NEW ATHENS
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$13,176	\$3,305		\$16,481
Intergovernmental Receipts	24,602	15,152	\$20,010	59,764
Charges for Services	2,533			2,533
Fines, Licenses, and Permits	330			330
Earnings on Investments	16	16		32
Miscellaneous	2,950			2,950
Total Cash Receipts	<u>43,607</u>	<u>18,473</u>	<u>20,010</u>	<u>82,090</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	8,125	4,352		12,477
Public Health Services	291			291
Community Environment	9			9
Transportation		9,885		9,885
General Government	20,865	627		21,492
Debt Service:				
Principal Payments	10,014			10,014
Interest Payments	303			303
Capital Outlay	2,637		20,010	22,647
Total Cash Disbursements	<u>42,244</u>	<u>14,864</u>	<u>\$20,010</u>	<u>77,118</u>
Total Receipts Over/(Under) Disbursements	<u>1,363</u>	<u>3,609</u>		<u>4,972</u>
Other Financing Receipts and (Disbursements):				
Other Financing Sources	651	40		691
Other Financing Uses	(189)			(189)
Total Other Financing Receipts/(Disbursements)	<u>462</u>	<u>40</u>		<u>502</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,825	3,649		5,474
Fund Cash Balances, January 1	<u>12,193</u>	<u>8,533</u>		<u>20,726</u>
Fund Cash Balances, December 31	<u>\$14,018</u>	<u>\$12,182</u>		<u>\$26,200</u>

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

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$96,675
Total Operating Cash Receipts	96,675
Operating Cash Disbursements:	
Personal Services	11,826
Fringe Benefits	2,759
Contractual Services	53,351
Supplies and Materials	2,692
Other	2,463
Total Operating Cash Disbursements	73,091
Operating Income/(Loss)	23,584
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	693
Total Non-Operating Cash Receipts	693
Non-Operating Cash Disbursements:	
Debt Service	23,564
Total Non-Operating Cash Disbursements	23,564
Net Receipts Over/(Under) Disbursements	713
Fund Cash Balances, January 1	7,515
Fund Cash Balances, December 31	\$8,228

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

VILLAGE OF NEW ATHENS
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$12,667	\$2,819		\$15,486
Intergovernmental Receipts	24,804	13,057	\$4,483	42,344
Charges for Services	3,800			3,800
Fines, Licenses, and Permits	1,045			1,045
Earnings on Investments	29	29		58
	<u>42,345</u>	<u>15,905</u>	<u>4,483</u>	<u>62,733</u>
Total Cash Receipts				
	<u>42,345</u>	<u>15,905</u>	<u>4,483</u>	<u>62,733</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	13,361	3,297		16,658
Public Health Services	1,209			1,209
Community Environment	9			9
Transportation		17,019		17,019
General Government	16,886	822		17,708
Debt Service:				
Principal Payments	9,593	3,981		13,574
Interest Payments	725			725
Capital Outlay			4,483	4,483
	<u>41,783</u>	<u>25,119</u>	<u>\$4,483</u>	<u>71,385</u>
Total Cash Disbursements				
	<u>41,783</u>	<u>25,119</u>	<u>\$4,483</u>	<u>71,385</u>
Total Receipts Over/(Under) Disbursements	<u>562</u>	<u>(9,214)</u>		<u>(8,652)</u>
Other Financing Receipts and (Disbursements):				
Other Financing Sources	466	112		578
Other Financing Uses	(3,209)			(3,209)
	<u>(2,743)</u>	<u>112</u>		<u>(2,631)</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(2,743)</u>	<u>112</u>		<u>(2,631)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(2,181)</u>	<u>(9,102)</u>		<u>(11,283)</u>
Fund Cash Balances, January 1	<u>14,374</u>	<u>17,635</u>		<u>32,009</u>
Fund Cash Balances, December 31	<u>\$12,193</u>	<u>\$8,533</u>		<u>\$20,726</u>

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

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$93,800
Total Operating Cash Receipts	93,800
Operating Cash Disbursements:	
Personal Services	12,294
Fringe Benefits	2,288
Contractual Services	52,533
Supplies and Materials	5,677
Other	40
Total Operating Cash Disbursements	72,832
Operating Income/(Loss)	20,968
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	535
Total Non-Operating Cash Receipts	535
Non-Operating Cash Disbursements:	
Debt Service	18,812
Total Non-Operating Cash Disbursements	18,812
Net Receipts Over/(Under) Disbursements	2,691
Fund Cash Balances, January 1	4,824
Fund Cash Balances, December 31	\$7,515

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

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 New Athens, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government, water utilities, street repair and maintenance, and police protection. The Village contracts with the New Athens Volunteer Fire Department to provide fire protection 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 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. 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 Fund

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.

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Water Improvement Project Fund - This fund receives intergovernmental revenue for a water improvement project.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Enterprise Fund

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

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

D. 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 level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	<u>\$34,428</u>	<u>\$28,241</u>

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

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,062	\$44,258	\$9,196
Special Revenue	16,619	18,513	1,894
Capital Projects	275,187	20,010	(255,177)
Enterprise	93,000	97,368	4,368
Total	\$419,868	\$180,149	(\$239,719)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,241	\$42,433	\$4,808
Special Revenue	20,223	14,864	5,359
Capital Projects	275,187	20,010	255,177
Enterprise	99,700	96,655	3,045
Total	\$442,351	\$173,962	\$268,389

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,364	\$42,811	\$3,447
Special Revenue	11,924	16,017	4,093
Capital Projects	562,375	4,483	(557,892)
Enterprise	98,824	94,335	(4,489)
Total	\$712,487	\$157,646	(\$554,841)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,699	\$44,992	\$8,707
Special Revenue	29,380	25,119	4,261
Capital Projects	0	4,483	(4,483)
Enterprise	102,418	91,644	10,774
Total	\$185,497	\$166,238	\$19,259

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 NEW ATHENS
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX (Continued)

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, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - 3066	\$2,179	6.04%
Ohio Public Works Commission Loan - CN809	45,937	0%
Ohio Public Works Commission Loan - CN26A	32,445	0%
Ohio Public Works Commission Loan - CN27C	53,175	0%
Case Backhoe Lease	21,465	0%
Ohio Public Works Commission Loan - CT45G	29,187	0%
Total	<u>\$184,388</u>	

The Ohio Water Development Authority Loan – 3066 (OWDA) relates to a planning loan for the construction of a wastewater treatment plant. The original loan amount was \$31,600 and was issued on January 25, 1996.

The Ohio Public Works Commission Loan – CN809 (OPWC) relates to a water line construction project. The original loan amount was \$87,499 and was issued in 1995 for 20 years to be paid on a semi-annual basis.

The Ohio Public Works Commission Loan – CN26A (OPWC) relates to a planning loan for the construction of a wastewater treatment plant. The original loan amount was \$46,350 and was issued on July 1, 1997 for 20 years to be paid on a semi-annual basis.

The Ohio Public Works Commission Loan – CN27C (OPWC) relates to the Culbertson Drive waterline replacement project. The original loan amount was \$64,725 and was issued in 2000 for 20 years to be paid on a semi-annual basis. A new amortization schedule was prepared by OPWC in 2003 in the revised loan amount of \$57,487 for 20 years to be paid on a semi-annual basis. The difference in the loan amounts was not needed by the Village.

The Case Backhoe Lease was issued for the water department's purchase of a backhoe. The original lease amount was \$39,428 and was issued in 2002 to be repaid in 5 annual payments.

The Ohio Public Works Commission Loan – CT45G (OPWC) relates to a water transmission line replacement project. The original loan amount was \$29,187 and issued in 2004 for 20 years to be paid on a semi-annual basis. The Village has not received the proceeds or started to repay the loan as of December 31, 2004.

The above loans are collateralized by the Village's future water receipts and by the Village's taxing authority.

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

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

Year Ending December 31:	OWDA Loan 3066	OPWC Loan CN809	OPWC Loan CN26A	OPWC Loan CN27C	Backhoe Lease	OPWC Loan CNT45G
2005	2,311	4,375	2,318	2,874	8,981	1,459
2006		4,375	2,318	2,874	8,981	1,459
2007		4,375	2,318	2,874	3,503	1,459
2008		4,375	2,318	2,874		1,459
2009		4,375	2,318	2,874		1,459
2010-2014		21,875	11,590	14,372		7,297
2015-2019		2,187	9,265	14,372		7,297
2020-2024				10,061		7,298
Total	<u>\$2,311</u>	<u>\$45,937</u>	<u>\$32,445</u>	<u>\$53,175</u>	<u>\$21,465</u>	<u>\$29,187</u>

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

8. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not certify or record the amount against the applicable appropriation accounts for all expenditures and the Village did not utilize the exceptions provided by the Ohio Revised Code.

Contrary to Ohio Revised Code Sections 733.31(A), 733.25 and 731.43, all members of the Village's legislation authority and the Mayor have been appointed and have remained in their position through at least one general election but were not elected to their current term and did not register with the Board of Elections.

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Auditor of State Betty Montgomery

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

Village of New Athens
Harrison County
162 South Main Street
P O Box 126
New Athens, Ohio 43981

To the Village Council:

We have audited the financial statements of Village of New Athens, Harrison County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 26, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 26, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated August 26, 2005, we reported other matters related to noncompliance we deemed immaterial.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Village of New Athens
Harrison County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 26, 2005

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Non Compliance Citation

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 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 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, the 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, if such expenditure is otherwise valid.

If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 65% of tested expenditures in 2003 and 56% of tested expenditures in 2004. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and 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 Clerk/Treasurer 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.

The Village 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 fiscal officer 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 fiscal officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2004-002

Non Compliance Citation

Ohio Revised Code Section 733.31(A) states that unless otherwise provided by law, vacancies arising in appointive and elective offices of villages shall be filled by appointment by the mayor for the remainder of the unexpired term, provided that:

- (1) Vacancies in the office of mayor shall be filled in the manner provided by **Ohio Revised Code Section 733.25**; and
- (2) Vacancies in the membership of the legislative authority shall be filled in the manner provided by **Ohio Revised Code Section 731.43**.

Ohio Revised Code Section 733.25 states that when a mayor is absent from the village, or is unable for any cause to perform his duties, the president pro tempore of the legislative authority shall be acting mayor until a successor is elected and qualified to fill the unexpired term.

Ohio Revised Code Section 731.43 (A) (1) provides that except as otherwise provided in division (A) (2) of this section, when the office of a member of the legislative authority of a village becomes vacant, the vacancy shall be filled by election by the legislative authority for unexpired term. If the legislative authority fails within thirty days to fill such vacancy, the mayor shall fill it by appointment.

All members of the Village's legislative authority and the Mayor have been appointed to their respective positions and have remained in the positions through at least one general election but were not elected to the positions for the current term.

The Village officials should register with the Board of Elections as current office holders and should register to be on the ballot in the next general election.

VILLAGE OF NEW ATHENS
HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-31234-001	ORC § 5705.41 (D) Disbursements were not properly certified.	No	Cited again as Finding number 2004-001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF NEW ATHENS

HARRISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 29, 2005**