

VILLAGE OF OLD WASHINGTON
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA

Auditor of State

Mayor and Village Council
Village of Old Washington
P.O. Box 268
Old Washington, Ohio 43768

We have reviewed the *Independent Auditors' Report* of the Village of Old Washington, Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Old Washington is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 4, 2007

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**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Village of Old Washington
P.O. Box 268
Old Washington, Ohio 43768

We have audited the accompanying financial statements of the Village of Old Washington, Guernsey County, Ohio as of and for the year ended December 31, 2005 and 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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, if any, made by management, as well as evaluating the overall financial statement presentation. 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Village of Old Washington's combined funds as of December 31, 2005 and 2004, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Old Washington, Guernsey County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2005 and 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 a report dated February 2, 2007, on our consideration of the Village of Old Washington's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 audit.

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio

February 2, 2007

**VILLAGE OF OLD WASHINGTON
GUERNSEY 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 16,010	\$ -	\$ -	\$ 16,010
Intergovernmental Receipts	12,896	11,696	2,813	27,405
Charges for Services	-	7,985	-	7,985
Earnings on Investments	11	309	-	320
Miscellaneous	1,161	258	-	1,419
Total Cash Receipts	<u>30,078</u>	<u>20,248</u>	<u>2,813</u>	<u>53,139</u>
Cash Disbursements				
Current:				
Security of Persons and Property	800	-	-	800
Public Health Services	-	7,717	-	7,717
Leisure Time Activities	-	3,688	-	3,688
Basic Utility Service	3,108	-	-	3,108
Transportation	2,645	7,331	3,961	13,937
General Government	13,900	-	-	13,900
Debt Service	5,576	-	-	5,576
Total Cash Disbursements	<u>26,029</u>	<u>18,736</u>	<u>3,961</u>	<u>48,726</u>
Total Cash Receipts Over (Under) Cash Disbursements	4,049	1,512	(1,148)	4,413
Other Financing Receipts (Disbursements)				
Transfer - In	258	3,678	-	3,936
Transfer - Out	(4,194)	-	-	(4,194)
Total Other Financing Receipts (Disbursements)	<u>(3,936)</u>	<u>3,678</u>	<u>-</u>	<u>(258)</u>
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	113	5,190	(1,148)	4,155
Fund Cash Balance - January 1, 2005	<u>8,939</u>	<u>20,263</u>	<u>3,155</u>	<u>32,357</u>
Fund Cash Balance - December 31, 2005	<u>\$ 9,052</u>	<u>\$ 25,453</u>	<u>\$ 2,007</u>	<u>\$ 36,512</u>

See notes to financial statements.

VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Fiduciary Fund Type</u>
Operating Receipts	
Miscellaneous	<u>\$ 258</u>
Total Operating Receipts	258
Transfer-Out	(258)
Net Receipts Over/(Under) Disbursements	-
Fund Cash Balance - January 1, 2005	<u>24,050</u>
Fund Cash Balance - December 31, 2005	<u><u>\$ 24,050</u></u>

See notes to financial statements.

**VILLAGE OF OLD WASHINGTON
GUERNSEY 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 15,885	\$ -	\$ -	\$ 15,885
Intergovernmental Receipts	12,699	42,245	3,155	58,099
Charges for Services	-	8,422	-	8,422
Earnings on Investments	8	127	-	135
Miscellaneous	3,992	3,664	-	7,656
Total Cash Receipts	<u>32,584</u>	<u>54,458</u>	<u>3,155</u>	<u>90,197</u>
Cash Disbursements				
Current:				
Security of Persons and Property	400	-	-	400
Public Health Services	-	5,606	-	5,606
Lesisure Time Activities	-	410	-	410
Basic Utility Service	3,108	-	-	3,108
Transportation	7,908	33,101	1,299	42,308
General Government	12,157	-	-	12,157
Debt Service	5,632	-	-	5,632
Total Cash Disbursements	<u>29,205</u>	<u>39,117</u>	<u>1,299</u>	<u>69,621</u>
Total Cash Receipts Over (Under) Cash Disbursements	3,379	15,341	1,856	20,576
Other Financing Receipts (Disbursements)				
Transfer - In	-	39,276	-	39,276
Transfer - Out	(38,950)	-	(221)	(39,171)
Total Other Financing Receipts (Disbursements)	<u>(38,950)</u>	<u>39,276</u>	<u>(221)</u>	<u>105</u>
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(35,571)	54,617	1,635	20,681
Fund Cash Balance - January 1, 2004, Restated	<u>44,510</u>	<u>(34,354)</u>	<u>1,520</u>	<u>11,676</u>
Fund Cash Balance - December 31, 2004	<u>\$ 8,939</u>	<u>\$ 20,263</u>	<u>\$ 3,155</u>	<u>\$ 32,357</u>

See notes to financial statements.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

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

	<u>Fiduciary Fund Type</u>
Operating Receipts	
Miscellaneous	<u>\$ 105</u>
Total Operating Receipts	105
Operating Disbursements	
Contractual Services	<u>2,519</u>
Total Operating Disbursements	2,519
Operating Income/(Loss)	(2,414)
Transfers Out	(105)
Fund Cash Balance - January 1, 2004	<u>26,569</u>
Fund Cash Balance - December 31, 2004	<u><u>\$ 24,050</u></u>

See notes to financial statements.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Old Washington, Guernsey County (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 general governmental services, including road maintenance, street lighting, park operations (leisure time activities), and fire protection. The Village contracts with the Guernsey County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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 and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

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 OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Special Revenue Fund

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 has the following significant Special Revenue Funds:

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

Cemetery Fund – This fund receives money from the selling of cemetery lots and the opening and closing of graves for general maintenance and operation of the cemetery.

Parks and Recreation Fund - This fund receives donations for the general maintenance and operation of the Village park.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Fund – This fund receives Issue II grant monies. The monies are being used for street improvements.

Fiduciary Fund (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Village had the following significant Fiduciary Fund:

Cemetery Endowment Fund – This fund was created to invest principal and create interest revenue for the cemetery operating fund.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually).

Appropriations

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

Estimated Resources

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

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand Deposits	\$ 27,272	\$ 24,122
Total Deposits	<u>27,272</u>	<u>24,122</u>
STAR Ohio	33,290	32,285
Total Investments	<u>33,290</u>	<u>32,285</u>
Total Deposits and Investments	<u>\$ 60,562</u>	<u>\$ 56,407</u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. FUND BALANCE RESTATEMENT

As of December 31, 2003, the prior audit report, the Village had not posted adjustments to its financial records. As of January 1, 2004, the Village posted these adjustments to its records. In posting these adjustments, General Fund Cash Fund Balance was adjusted to \$44,510 from \$1,356 as of the prior audit report and the Special Revenue Cash Fund Balance was adjusted to (\$34,354) from \$1,644 as of the prior audit report.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 30,336	\$ 30,336
Special Revenue	-	23,926	23,926
Capital Projects	-	2,813	2,813
Fiduciary	-	258	258
Total	<u>\$ -</u>	<u>\$ 57,333</u>	<u>\$ 57,333</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 30,223	\$ (30,223)
Special Revenue	-	18,736	(18,736)
Capital Projects	-	3,961	(3,961)
Fiduciary	-	258	(258)
Total	<u>\$ -</u>	<u>\$ 53,178</u>	<u>\$ (53,178)</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,780	\$ 32,584	\$ 5,804
Special Revenue	12,680	93,734	81,054
Capital Projects	3,155	3,155	-
Fiduciary	110	105	(5)
Total	<u>\$ 42,725</u>	<u>\$ 129,578</u>	<u>\$ 86,853</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 24,234	\$ 68,155	\$ (43,921)
Special Revenue	30,018	39,117	(9,099)
Capital Projects	1,421	1,520	(99)
Fiduciary	-	2,624	(2,624)
Total	<u>\$ 55,673</u>	<u>\$ 111,416</u>	<u>\$ (55,743)</u>

Compliance and Accountability:

Contrary to Ohio Revised Code, The Village transferred money from the Endowment Fund and Capital Projects Fund without legislative approval.

Contrary to Ohio Revised Code, the Village did not pass a temporary or permanent appropriation measure for 2005. Consequently, during 2005, all expenditures made by the Village exceeded appropriations, contrary to Ohio Revised Code Section 5705.41(B). In 2004, the following funds had expenditures exceed appropriations: General, Street, Cemetery, Park, FEMA, Capital Projects, and Cemetery Endowment.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. BUDGETARY ACTIVITY (Continued)

Compliance and Accountability: (Continued)

All of the Village's 2005 and 2004 expenditures did not contain the Clerk's prior certification of the availability of funds contrary to Ohio Revised Code Section 5705.41(D).

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to 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 SYSTEMS

The Village's employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plans provide 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 2005 and 2004 members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants gross salaries for the periods January 1, 2005 through December 31, 2005 and January 1, 2004 through December 31, 2004. The Village has paid all contributions required through September 30, 2005. Fourth Quarter amount for 2005 paid in 2006.

The Village withheld Social Security, Medicare, Federal and State withholding taxes from employee pay checks but never remitted these taxes to the Internal Revenue Service. The amounts not remitted are Social Security taxes in the amount of \$33, Medicare (employee and employer portion) in the amount of \$559, federal withholding taxes in the amount of \$823 and State withholding taxes of \$644.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan, (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

8. DEBT

Debt outstanding as of December 31, 2005 consists of the following:

	<u>Principal</u>	<u>Interest Rate</u>
Peoples Bank Truck Loan	\$ 2,850	3.75%
Backhoe Lease	3,864	3.25%
Total	<u>\$ 6,714</u>	

In 2003, the Village entered into a loan with Peoples bank to purchase a truck to be used for Village business. payments are made annually.

In 2003, the Village entered into a lease agreement for a backhoe to be used for Village business.

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

<u>Year Ending December 31</u>	<u>Peoples Bank Truck Loan</u>	<u>Backhoe Lease</u>	<u>Totals</u>
2006	\$ 1,532	\$ 3,990	\$ 5,522
2007	1,478	-	1,478
Total	<u>\$ 3,010</u>	<u>\$ 3,990</u>	<u>\$ 7,000</u>

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Old Washington
P.O. Box 268
Old Washington, Ohio 43768

We have audited the financial statements of the Village of Old Washington as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 2, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Old Washington'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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 of Old Washington's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as items 2005-06.

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 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 item 2005-06 to be a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated February 2, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Old Washington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 audit 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* and which are described in the accompanying Schedule of Findings as items 2005-01 through 2005-05. We also noted certain immaterial instances of noncompliance which we have reported to management of Village of Old Washington in a separate letter dated February 2, 2007.

Report on Internal Control and Compliance
Page 2

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 2, 2007

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-01

Noncompliance Citation

Ohio Revised Code Section 5705.41(D), states that no subdivision or taxing unit 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 Village Clerk. Every contract made without such a certificate shall be 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 – This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. If the amount involved is less than \$3,000 dollars the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not obtain prior certification for any expenditures made during 2005 or 2004. The lack of prior certification could lead to expenditures being made or committed to in which adequate funds have not been appropriated. These commitments were not subsequently resolved to be paid by the Village Council within the aforementioned 30 day time period.

We recommend the Village Clerk monitor the use of purchase orders more carefully to help ensure expenditures are certified as to the availability of funds prior to incurring the obligation.

Client Response: We acknowledge the noncompliance and will discuss what procedures, if any, we will implement.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

<i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</i>

FINDING NUMBER 2005-02

Noncompliance Citation

Ohio Revised Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official certificate.

There was no evidence presented for audit to indicate that either a temporary or annual appropriation measure was approved by the Village Council or submitted to the County Auditor for 2005. It appears that an annual appropriation measure was passed for 2004 and signed by the Clerk and Village Council. There was no mention of its passing in the minutes. The Village also had no certificate from the County Auditor stating that appropriations did not exceed estimated receipts, therefore making the appropriation measure noneffective as stated in Ohio Revised Code Section 5705.39 for 2005.

We recommend the Village Council approve, and state in the minutes as evidence of approval, an appropriation measure on or about the first of the year. This appropriation measure should be submitted to the County Auditor by the same date.

Client Response: We acknowledge noncompliance and will be aware of filing appropriate paperwork with County.

FINDING NUMBER 2005-03

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

All expenditures made during 2005 were made without properly being appropriated. This amounted to \$52,920 being expended without any budgetary expenditure amount being passed to restrict expenditures. In 2004, the following funds had expenditures greater than appropriations: General Fund by \$43,921, Street Fund by \$1,180, Cemetery Fund by \$368, Park Fund by \$260, FEMA Fund by \$22,747 Capital projects Fund by \$99 and Cemetery Endowment Fund by \$2,624.

We recommend that the Village Council approve, and state in the minutes as evidence of approval, an appropriation measure on or about the first of the year. This appropriation measure should be submitted to the County Auditor by the same date. The Clerk should deny any payment that would causes expenditures to exceed appropriations.

Client Response: We acknowledge noncompliance and will be aware of budget requirements and try to meet them.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)***

FINDING NUMBER 2005-04

Noncompliance Citation

26 U.S.C. Section 3403 states, in part, that employers are liable for payment of the taxes deducted and withheld. The Village withheld federal withholding, Medicare and Social Security taxes from employees but did not remit the employee's or employer's share, if applicable, of these taxes to the Internal Revenue Service.

We recommend the Village remit the employee and, if applicable, employer share of federal withholding, Medicare and social security taxes quarterly on IRS Form 941. If the Village does not have a Employer Identification Number (EIN), they should submit Form SS-4 to the Internal Revenue Service to obtain a EIN number. For more information, the Village should consult Circular E, Employer's Tax Guide.

Client Response: We acknowledge the noncompliance.

FINDING NUMBER 2005-05

Noncompliance citation

Ohio Revised Code Section 5705.14, 5705.15 and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any other fund of the subdivision by resolution of taxing authority or from one fund to another as is specifically authorized in Ohio Revised Code Section 5705.14. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e. two thirds vote is not required for general fund transfers though a resolution is required).

We recommend that all transfers be properly approved as required by Ohio Revised Code Section 5705.14, 5705.15 and 5705.16 and recorded in the minutes.

Client Response: We acknowledge the noncompliance. We have passed resolution for General Fund transfers but other smaller transfers are not in compliance. We will try to only transfer from the General Fund.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

***FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)***

FINDING NUMBER 2005-06

Reportable Condition-Material Weakness

The Village should maintain adequate financial and budgetary records to provide ongoing and timely information. Our review of Village records indicated that the Clerk did maintain a cashbook, receipts ledger, and disbursement ledger as required. However, these accounting records were not maintained in such a way to provide up-to-date information throughout the year. No budgetary data was recorded for actual to budget comparisons. Some amounts posted to the monthly summary of cash receipts and cash disbursements did not agree with the revenue and expense summary. In addition, the cashbook was not reconciled to the bank accounts.

We recommend that the Clerk post all cash receipts and cash disbursements to the summary of receipts and disbursements. We also recommend the Clerk to reconcile the cashbook to the monthly bank reconciliations each month.

Client Response: We will try to update our records to comply.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-01	ORC 5705.41(D) Failure to Certify Funds	No	Not Corrected. Cited in current report as Finding 2005-01.
2003-02	ORC 5705.38 Annual Appropriation Measure passed	No	Partially Corrected. Cited in current report as Finding 2005-02.
2003-03	ORC 5705.41(B) No money to be expended unless appropriated	No	Partially Corrected. Cited in current report as Finding 2005-03.
2003-04	ORC 5705.34 Authorize necessary tax rates	Yes	Finding No Longer Valid
2003-05	26U.S.C. Section 3403 failure to remit employee payroll withholdings	No	Not Corrected. Cited in current report as Finding 2005-04.
2003-06	ORC 5705.14 Transfer of funds	No	Partially Corrected. Cited in current report as Finding 2005-05.
2003-07	Reportable condition for maintenance of financial and budgetary records	No	Not Corrected. Cited in current report as Finding 2005-06.



Mary Taylor, CPA
Auditor of State

VILLAGE OF OLD WASHINGTON

GUERNSEY 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
JUNE 14, 2007**