



Dave Yost • Auditor of State

VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of New Alexandria
Jefferson County
202 Chapel Hill Road
Mingo Junction, Ohio 43938

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of New Alexandria, Jefferson County, (the "Village") as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of New Alexandria, Jefferson as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of New Alexandria adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 30, 2014

**VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY**

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

| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------|----------------------------|------------------|---|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$11,613 | \$ | | \$11,613 |
| Intergovernmental | 9,821 | 11,032 | | 20,853 |
| Charges for Services | | 22,770 | | 22,770 |
| Fines, Licenses and Permits | 2,234 | | \$ | 2,234 |
| Earnings on Investments | 112 | 2,226 | 3,829 | 6,167 |
| Miscellaneous | 23,064 | | 65,694 | 88,758 |
| | <u>46,844</u> | <u>36,028</u> | <u>69,523</u> | <u>152,395</u> |
| <i>Total Cash Receipts</i> | | | | |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 9,008 | | | 9,008 |
| Public Health Services | 70 | 22,165 | | 22,235 |
| Basic Utility Services | 1,714 | | | 1,714 |
| Transportation | | 12,028 | | 12,028 |
| General Government | 17,671 | | | 17,671 |
| Capital Outlay | | | 4,100 | 4,100 |
| | <u>28,463</u> | <u>34,193</u> | <u>4,100</u> | <u>66,756</u> |
| <i>Total Cash Disbursements</i> | | | | |
| <i>Excess of Receipts Over (Under) Disbursements</i> | | | | |
| | <u>18,381</u> | <u>1,835</u> | <u>65,423</u> | <u>85,639</u> |
| <i>Fund Cash Balances, January 1</i> | | | | |
| | <u>11,506</u> | <u>208,412</u> | <u>178,060</u> | <u>397,978</u> |
| Fund Cash Balances, December 31 | | | | |
| Nonspendable | | | | |
| Restricted | | 210,247 | 243,483 | 453,730 |
| Committed | | | | |
| Assigned | | | | |
| Unassigned (Deficit) | 29,887 | | | 29,887 |
| | <u>29,887</u> | <u>210,247</u> | <u>243,483</u> | <u>483,617</u> |
| <i>Fund Cash Balances, December 31</i> | | | | |

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

**VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | |
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$11,385 | \$ | | \$11,385 |
| Intergovernmental | 13,191 | 10,706 | | 23,897 |
| Charges for Services | | 18,900 | | 18,900 |
| Fines, Licenses and Permits | 2,788 | | \$ | 2,788 |
| Earnings on Investments | 104 | 4,310 | 4,389 | 8,803 |
| Miscellaneous | 1,500 | | | 1,500 |
| <i>Total Cash Receipts</i> | <u>28,968</u> | <u>33,916</u> | <u>4,389</u> | <u>67,273</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 7,497 | | | 7,497 |
| Public Health Services | 158 | 24,077 | | 24,235 |
| Leisure Time Activities | 360 | 3,805 | | 4,165 |
| Basic Utility Services | 1,762 | 478 | | 2,240 |
| Transportation | | 7,178 | | 7,178 |
| General Government | 19,258 | | | 19,258 |
| <i>Total Cash Disbursements</i> | <u>29,035</u> | <u>35,538</u> | | <u>64,573</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(67)</u> | <u>(1,622)</u> | <u>4,389</u> | <u>2,700</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 425 | | 425 |
| Transfers Out | (425) | | | (425) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(425)</u> | <u>425</u> | | |
| <i>Net Change in Fund Cash Balances</i> | <u>(492)</u> | <u>(1,197)</u> | <u>4,389</u> | <u>2,700</u> |
| <i>Fund Cash Balances, January 1</i> | <u>11,998</u> | <u>209,609</u> | <u>173,671</u> | <u>395,278</u> |
| Fund Cash Balances, December 31 | | | | |
| Nonspendable | | | | |
| Restricted | | 208,412 | 178,060 | 386,472 |
| Committed | | | | |
| Assigned | | | | |
| Unassigned (Deficit) | 11,506 | | | 11,506 |
| <i>Fund Cash Balances, December 31</i> | <u>\$11,506</u> | <u>\$208,412</u> | <u>\$178,060</u> | <u>\$397,978</u> |

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

VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Agency</u> |
|---|-------------------|
| Operating Cash Disbursements | |
| Other | <u>\$395</u> |
| <i>Total Operating Cash Disbursements</i> | <u>395</u> |
| <i>Operating Income (Loss)</i> | <u>(395)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>395</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$0</u></u> |

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

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**VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Alexandria, Jefferson County, (the "Village") as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, street repair and maintenance, and police services. The Village contracts with New Alexandria Volunteer Fire Department to receive fire protection services.

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Municipal Joint Self- Insurance Pool, a risk-sharing pool available to Ohio local governments. The Pool provides property, liability and casualty coverage for its members.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Village's programs (for the benefit of the Village or its citizenry). The Village had the following significant Permanent Fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. The Village had no trust funds.

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

E. Budgetary Process

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

1. Appropriations

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

2. 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 NEW ALEXANDRIA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

3. **Encumbrances**

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. **Fund Balance**

Beginning in 2011, the fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

**VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits and Investments

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

| | 2012 | 2011 |
|-------------------------|-----------|-----------|
| Demand deposits | \$172,631 | \$79,788 |
| Certificates of deposit | 310,986 | 318,190 |
| Total deposits | \$483,617 | \$397,978 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending 2012 and 2011 follows:

| 2012 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | | \$46,844 | \$46,844 |
| Special Revenue | | 36,028 | 36,028 |
| Permanent | | 69,523 | 69,523 |
| Total | \$0 | \$152,395 | \$152,395 |

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | | \$28,463 | (\$28,463) |
| Special Revenue | | 34,193 | (34,193) |
| Permanent | | 4,100 | (4,100) |
| Total | \$0 | \$66,756 | (\$66,756) |

**VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | | \$28,968 | \$28,968 |
| Special Revenue | | 34,341 | 34,341 |
| Permanent | | 4,389 | 4,389 |
| Total | \$0 | \$67,698 | \$67,698 |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | | \$29,460 | (\$29,460) |
| Special Revenue | | 35,538 | (35,538) |
| Total | \$0 | \$64,998 | (\$64,998) |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds by 100% for the years ended December 31, 2012 and 2011.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

5. 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

6. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2012, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|---------------------|------------------|--------------------|
| Assets | \$1,097,683 | \$ 1,696,445 |
| Liabilities | <u>(791,222)</u> | <u>(1,403,959)</u> |
| Accumulated Surplus | <u>\$306,461</u> | <u>\$292,486</u> |



Dave Yost • Auditor of State

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

Village of New Alexandria
Jefferson County
202 Chapel Hill Road
Mingo Junction, Ohio 43938

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of New Alexandria, Jefferson County, (the "Village") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 26, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-004 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

June 30, 2014

VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Noncompliance Citation and Significant Deficiency

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, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a then and now certificate without affirmation of 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. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding at a particular time for any line item appropriation.

The Clerk/Treasurer did not prepare purchase orders for our audit period. As a result, the Clerk/Treasurer did not properly certify or record the amount against the applicable appropriation accounts for 100% of the tested expenditures. The Village did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

**FINDING NUMBER 2012-001
(Continued)**

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 it is also 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.

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

FINDING NUMBER 2012-002

Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 5705.38 requires, in part, that an appropriations measure be passed on or about the first day of the fiscal year. **Ohio Revised Code Section 5705.41(B)** provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village did not adopt an appropriation measure. Expenditures are limited by the appropriations established for each fund; therefore, none of the expenditures made by the Village were in compliance with the Ohio Revised Code. The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending.

We recommend the Village pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to established appropriations for each fund. In additions, the Clerk/Treasurer and Village Council should establish controls sufficient to ensure budgetary compliance requirements are satisfied in a timely manner.

FINDING NUMBER 2012-003

Noncompliance Citation

Ohio Revised Code Section 5705.36 provides 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 for each fund set up in the tax budget for each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

**FINDING NUMBER 2012-003
 (Continued)**

The Clerk/Treasurer did not file a certificate showing the total amount from all sources available for expenditures and the balances existing at the end of the year with the county auditor. Failure to file the certificate could result in appropriations exceeding the amounts of available resources. The Village Clerk/Treasurer should certify to the county auditor the total amount from all sources to establish limits for appropriations.

FINDING NUMBER 2012-004

Material Weakness

Posting Receipts and Disbursements/Reconciliation Process

The Village did not correctly code and classify receipts and disbursements which resulted in reclassifications and adjustments to the financial statements. The Clerk/Treasurer did not prepare accurate monthly bank to book reconciliations. In addition, the Village's receipt and appropriation ledger totals did not agree to the cash journal totals. The reclassifications and adjustments are reflected in the accompanying financial statements and the adjustments have been posted to the Village's accounting records.

| Fund Name | | | |
|--|---------------------------------|---------------|---|
| 2011 Adjustments | Account Type | Amount | Description |
| General | General Government Disbursement | \$153 | To record disbursements not recorded or reported. |
| Street Construction, Maintenance, and Repair | Intergovernmental Receipts | (\$459) | To reduce receipts recorded or reported twice. |
| Street Construction, Maintenance, and Repair | Intergovernmental Receipts | \$128 | To record receipts not recorded or reported. |
| State Highway | Intergovernmental Receipts | (\$37) | To reduce receipts recorded or reported twice. |
| State Highway | Intergovernmental Receipts | \$10 | To record receipts not recorded or reported. |
| Cemetery | Earnings on Investment | \$199 | To record receipts not recorded or reported. |

| Fund Name | | | |
|--|---------------------------------|---------------|---|
| 2012 Adjustments | Account Type | Amount | Description |
| General | General Government Disbursement | \$20 | To record disbursements not recorded or reported. |
| Street Construction, Maintenance, and Repair | Transportation Disbursement | \$50 | To record disbursements not recorded or reported. |
| Cemetery | Earnings on Investment | \$180 | To record receipts not recorded or reported. |

**FINDING NUMBER 2012-004
 (Continued)**

| Fund Name | | | |
|--------------------------------------|---------------------|---------------|--|
| 2011 Reclassifications | Account Type | Amount | Description |
| General | Transfer Out | \$425 | Recorded as General Government Disbursement. |
| Ohio Department of Natural Resources | Transfer In | \$425 | Recorded as Intergovernmental Receipt. |

| Fund Name | | | |
|--|-----------------------------|---------------|--|
| 2012 Reclassifications | Account Type | Amount | Description |
| General | Miscellaneous Receipt | \$22,363 | Recorded as Charges for Services Receipt. |
| Street Construction, Maintenance, and Repair | Transportation Disbursement | \$11,978 | Recorded as Security of Property and Persons Disbursement. |

Failure to consistently follow a uniform chart of accounts increases the possibility the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the Village chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported. The Clerk/Treasurer should prepare accurate monthly bank to book reconciliations that include all accounts, all transactions and adequate support for all reconciling items. In addition, the Village should adopt procedures for the review of posting transactions to the ledgers, monthly reconciliations and preparation of the financial statements.

Officials' Response:

We did not receive a response from the officials to the findings reported above.

**VILLAGE OF NEW ALEXANDRIA
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|--|-------------------------|--|
| 2010-01 | Ohio Revised Code Section 5705.41(D) Disbursements were not certified. | No | Repeated as Finding Number 2012-001. |
| 2010-02 | Ohio Revised Code Sections 5705.38 and 5705.41(B) Council did not adopt an appropriation measure for 2009 or 2010; therefore, disbursements exceeded appropriations in all funds. | No | Repeated as Finding Number 2012-002. |
| 2010-03 | Ohio Revised Code Section 5705.36 The Village did not certify available resources for disbursements for 2009 and 2010. | No | Repeated as Finding Number 2012-003. |
| 2010-04 | Posting Receipts and Disbursements Reconciliation Process - The Village did not classify receipts or disbursements properly and the Clerk/Treasurer did not prepare accurate monthly bank to book reconciliations. | No | Repeated as Finding Number 2012-004. |

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Dave Yost • Auditor of State

VILLAGE OF NEW ALEXANDRIA

MERCER 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
JULY 29, 2014**