

VILLAGE OF ITHACA

DAYTON REGION, DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Ithaca
P.O. Box 131
Ithaca, Ohio 45304

We have reviewed the *Independent Auditors' Report* of the Village of Ithaca, Darke County, prepared by Manning & Associates, CPAs, LLC, for the audit period January 1, 2007 through December 31, 2008. 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 Ithaca is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 11, 2009

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

**VILLAGE OF ITHACA
DARKE COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Auditors' Report | 1 – 2 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2008 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2007 | 4 |
| Notes to the Financial Statements | 5 – 8 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 10 – 11 |
| Schedule of Findings | 12 – 13 |
| Schedule of Prior Findings | 14 |

This Page is Intentionally Left Blank.

MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT AUDITORS' REPORT

Village of Ithaca
Darke County
P.O. Box 131
Ithaca, Ohio 45304

To the Village Council:

We have audited the accompanying financial statements of the Village of Ithaca, Darke County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the 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. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007 or its changes in financial position for the years 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 Ithaca, Darke County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determines is necessary to supplement, although not required to be a part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2009, on our consideration of the Village's internal control structure 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 15, 2009

**VILLAGE OF ITHACA
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | <u>Governmental Fund Types</u> | | Total (Memorandum Only) |
|--|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$ 606 | \$ 0 | \$ 606 |
| Intergovernmental Receipts | 23,738 | 4,782 | 28,520 |
| Earnings on Investments | 111 | 42 | 153 |
| Miscellaneous | 2,800 | 0 | 2,800 |
| Total Cash Receipts | <u>27,255</u> | <u>4,824</u> | <u>32,079</u> |
| | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | \$ 16,610 | \$ 0 | \$ 16,610 |
| Security of Persons and Property | 8,338 | 0 | 8,338 |
| Public Health Service | 440 | 0 | 440 |
| Basic Utility Services | 6,154 | 0 | 6,154 |
| Transportation | 0 | 2,155 | 2,155 |
| Debt Service: | | | |
| Principal | 7,075 | 0 | 7,075 |
| Interest and Other Fiscal Charges | 621 | 0 | 621 |
| Total Cash Disbursements | <u>39,238</u> | <u>2,155</u> | <u>41,393</u> |
| | | | |
| Total Receipts Over/(Under) Disbursements | <u>(11,983)</u> | <u>2,669</u> | <u>(9,314)</u> |
| | | | |
| Fund Cash Balances, January 1, | <u>44,208</u> | <u>24,070</u> | <u>68,278</u> |
| | | | |
| Fund Cash Balances, December 31, | <u>\$ 32,225</u> | <u>\$ 26,739</u> | <u>\$ 58,964</u> |

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ITHACA
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

| | <u>Governmental Fund Types</u> | | Total (Memorandum Only) |
|--|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$ 1,095 | \$ 0 | \$ 1,095 |
| Intergovernmental Receipts | 25,351 | 5,366 | 30,717 |
| Earnings on Investments | 223 | 84 | 307 |
| Miscellaneous | 0 | 0 | 0 |
| Total Cash Receipts | <u>26,669</u> | <u>5,450</u> | <u>32,119</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | \$ 11,452 | \$ 0 | \$ 11,452 |
| Security of Persons and Property | 8,182 | 0 | 8,182 |
| Public Health Service | 296 | 0 | 296 |
| Basic Utility Services | 5,946 | 0 | 5,946 |
| Capital Outlay | 7,075 | 0 | 7,075 |
| Transportation | 325 | 3,548 | 3,873 |
| Total Cash Disbursements | <u>33,276</u> | <u>3,548</u> | <u>36,824</u> |
| Total Receipts Over/(Under) Disbursements | <u>(6,607)</u> | <u>1,902</u> | <u>(4,705)</u> |
| Other Financing Receipts | | | |
| Debt Proceeds | 7,075 | 0 | 7,075 |
| Total Other financing Receipts | <u>7,075</u> | <u>0</u> | <u>7,075</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 468 | 1,902 | 2,370 |
| Fund Cash Balances, January 1, | <u>43,740</u> | <u>22,168</u> | <u>65,908</u> |
| Fund Cash Balances, December 31, | <u>\$ 44,208</u> | <u>\$ 24,070</u> | <u>\$ 68,278</u> |

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ITHACA
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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 Ithaca, Darke County, (the Village) as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides general government services. The Village provides fire protection to residents by contracting with the Arcanum 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

The Village maintains a checking account, which is valued at cost.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

State Highway Improvement Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways within the Village.

**VILLAGE OF ITHACA
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object 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. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash balance 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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

| | <u>2008</u> | <u>2007</u> |
|-----------------|-----------------|-----------------|
| Demand deposits | \$58,964 | \$68,278 |
| Total deposits | <u>\$58,964</u> | <u>\$68,278</u> |

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

**VILLAGE OF ITHICA
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2008 was as follows:

2008 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|------------------------------|----------------------------|-----------------|
| General | \$ 22,995 | \$ 27,255 | \$ 4,260 |
| Special Revenue | 0 | 4,824 | 4,824 |
| Total | <u>\$ 22,995</u> | <u>\$ 32,079</u> | <u>\$ 9,084</u> |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$ 44,189 | \$ 39,238 | \$ 4,951 |
| Special Revenue | 24,069 | 2,155 | 21,914 |
| Total | <u>\$ 68,258</u> | <u>\$ 41,393</u> | <u>\$ 26,865</u> |

Budgetary activity for the year ending December 31, 2007 was as follows:

2007 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|------------------------------|----------------------------|------------------|
| General | \$ 20,260 | \$ 33,744 | \$ 13,484 |
| Special Revenue | 4,014 | 5,450 | 1,436 |
| Total | <u>\$ 24,274</u> | <u>\$ 39,194</u> | <u>\$ 14,920</u> |

2007 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$ 43,720 | \$ 33,276 | \$ 10,444 |
| Special Revenue | 22,188 | 3,548 | 18,640 |
| Total | <u>\$ 65,908</u> | <u>\$ 36,824</u> | <u>\$ 29,084</u> |

**VILLAGE OF ITHACA
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. RETIREMENT SYSTEMS

The Village's officers participate in the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plans. 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. OPERS members contributed 9.5 percent of their wages in 2007 and 10 percent of their wages in 2008. The Village contributed 13.85 percent of participants' gross salaries in 2007 and 14 percent in 2008. The Village has paid all contributions required through December 31, 2008.

6. RISK MANAGEMENT

The Village has obtained commercial insurance through EMC Insurance Companies for the following risks:

| | |
|-------------------------------------|-------------|
| General liability | \$1,000,000 |
| Property coverage | 108,000 |
| Personal & Advertising Injury | 1,000,000 |
| Medical Expense /Equipment Coverage | 5,000/5,000 |

The Village has obtained public officials liability coverage through Aspen Specialty Insurance Companies for the following:

| | |
|----------------------------|-------------|
| Public Officials Liability | \$1,000,000 |
| Public Officials Liability | \$1,000,000 |

The Village has obtained automobile insurance coverage through Auto-Owners (Mutual) Insurance Company for the following:

| | |
|--|-----------|
| Auto Bodily Injury Liability & Property Damage | \$500,000 |
| Uninsured Motorist | 500,000 |
| Medical Payments | 5,000 |

There have been no significant reductions in insurance coverage during 2008 or 2007. Settled claims have not exceeded commercial excess coverage in any of the past three year.

This page intentionally left blank

MANNING & ASSOCIATES, CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

Village of Ithaca
Darke County
P.O. Box 131
Ithaca, Ohio 45304

To the Village Council:

We have audited the financial statements of the Village of Ithaca, Darke County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 15, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 and 2008-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe of the significant deficiencies described above, finding 2008-002 is also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated July 15, 2009.

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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2008-001 through 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 15, 2009.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's responses, and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Members of Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 15, 2009

**VILLAGE OF ITHACA
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| |
|---|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2008-001

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and Now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket certificate** – 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 line item appropriation.
3. **Super Blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of disbursements reviewed during 2008 and 2007, and there was no evidence that the Village followed the aforementioned exceptions. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**VILLAGE OF ITHACA
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| |
|---|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2008-001, continued

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, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

Response: The Village will include procedures for using purchase orders in the future.

FINDING NUMBER 2008-002

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The annual financial reports prepared by the Fiscal Officer for 2008 and 2007 were not complete, accurate, and did not properly classify certain receipts and disbursements. The following items were noted:

- Financial statements omitted budgetary statements completely.
- Total columns were missing
- Were not mathematically accurate
- Erroneously classified many intergovernmental receipts as taxes and other receipts, and classified transportation disbursements as public health services and community environmental disbursements.
- The cash journal, receipt, and disbursement ledgers did not correspond to one another.
- Debt activity was improperly reported in 2007 and 2008

Misclassifications on the annual financial report fail to present an accurate accounting of the financial status of the Village and can mislead the users of the report. Sound financial reporting is the responsibility of the Fiscal Officer and Members of Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Procedures should be implemented, including a final review of the annual report by Council to identify and correct misclassifications. The failure to post receipts and disbursements to the correct accounts could result in a material misstatement on the financial statements. Procedures should be implemented to determine that all activity is posted to the appropriate fund and account. These financial statements have been adjusted to reflect the above.

Response: Council will review the annual financial reports for all future filings for completeness.

**VILLAGE OF ITHACA
DARKE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain |
|----------------|--|------------------|---|
| 2006-001 | ORC Sec. 5705.41(D) - Failure to certify availability of funds prior to incurring the obligation | No | Reissue as finding 2008-001 |
| 2006-002 | ORC Sec. 117.38 - Failure to file 2006 Financial Statements with the State Auditors Office. | Yes. | |
| 2006-003 | ORC Sec. 5704.41 (B) - Expenditures exceeded appropriations in the Street Fund for snow removal. | Yes. | |



Mary Taylor, CPA
Auditor of State

VILLAGE OF ITHACA

DARKE 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
SEPTEMBER 24, 2009