



**Auditor of State  
Betty Montgomery**



VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY

TABLE OF CONTENTS

| <u>TITLE</u>  | <u>PAGE</u> |
|---|-------------|
| Independent Accountants' Report.....  | 1           |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances – All Governmental Fund Types –<br>For the Year Ended December 31, 2002 .....                           | 3           |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances – Proprietary Fund Type and Similar Fiduciary Fund Type –<br>For the Year Ended December 31, 2002 ..... | 4           |
| Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances – All Funds – For the Year Ended December 31, 2001 .....   | 5           |
| Notes to the Financial Statements .....   | 7           |
| Independent Accountants' Report on Compliance and on Internal Control<br>Required by <i>Government Auditing Standards</i> .....   | 15          |
| Schedule of Findings .....  | 17          |
| Schedule of Prior Audit Findings .....  | 25          |

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of New Straitsville  
Perry County  
114 West Main Street  
P.O. Box 238  
New Straitsville, Ohio 43766

To the Village Council:

We have audited the accompanying financial statements of the Village of New Straitsville, Perry County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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 made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying 2001 financial statement presents receipts and disbursement by fund type only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipts and disbursement transactions.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the omission of receipt and disbursement classifications for 2001, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of New Straitsville, Perry County, as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended, and its combined unclassified cash receipts and unclassified cash disbursements for the year ended December 31, 2001, on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming the Village will be able to continue normal operations and meet financial obligations as they come due. As discussed in Note 8 to the financial statements, the Village has significant unpaid financial commitments as of December 31, 2002, which raises substantial doubt about its ability to continue as a going concern without layoffs, cuts in public service, or significant new sources of revenue.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2003 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 grants. 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.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 12, 2003

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

|  | <u>Governmental Fund Types</u> |                            | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|--------------------------------|----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> |   |
| <b>Cash Receipts:</b>  |                                |                            |   |
| Property Tax and Other Local Taxes   | \$ 19,023                      | \$ 18,677                  | \$ 37,700                               |
| Intergovernmental Receipts   | 29,393                         | 31,970                     | 61,363                                  |
| Charges for Services   |                                | 70,735                     | 70,735                                  |
| Fines, Licenses, and Permits   | 4,700                          |                            | 4,700                                   |
| Earnings on Investments  | 796                            |                            | 796                                     |
| Miscellaneous  | 7,514                          | 5,848                      | 13,362                                  |
|  | <u>61,426</u>                  | <u>127,230</u>             | <u>188,656</u>                          |
| <b>Total Cash Receipts</b>   |                                |                            |   |
| <b>Cash Disbursements:</b>   |                                |                            |   |
| Current:   |                                |                            |   |
| Security of Persons and Property   | 29,067                         | 77,426                     | 106,493                                 |
| Public Health Services   | 310                            |                            | 310                                     |
| Leisure Time Activities  |                                | 11,580                     | 11,580                                  |
| Transportation   |                                | 10,926                     | 10,926                                  |
| General Government   | 39,735                         | 7,557                      | 47,292                                  |
| Debt Service:  |                                |                            |   |
| Principal Payments   |                                | 9,177                      | 9,177                                   |
| Interest Payments  |                                | 6,566                      | 6,566                                   |
| Capital Outlay   |                                | 91,724                     | 91,724                                  |
|  | <u>69,112</u>                  | <u>214,956</u>             | <u>284,068</u>                          |
| <b>Total Cash Disbursements</b>  |                                |                            |   |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>   | <u>(7,686)</u>                 | <u>(87,726)</u>            | <u>(95,412)</u>                         |
| <b>Other Financing Receipts/(Disbursements):</b>   |                                |                            |   |
| Sale of Fixed Assets   |                                | 8,000                      | 8,000                                   |
| Proceeds of Notes  |                                | 88,429                     | 88,429                                  |
|  | <u>0</u>                       | <u>96,429</u>              | <u>96,429</u>                           |
| <b>Total Other Financing Receipts/(Disbursements)</b>  |                                |                            |   |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (7,686)                        | 8,703                      | 1,017                                   |
| Fund Cash Balances, January 1  | <u>(4,365)</u>                 | <u>38,872</u>              | <u>34,507</u>                           |
| <b>Fund Cash Balances, December 31</b>   | <u><b>\$ (12,051)</b></u>      | <u><b>\$ 47,575</b></u>    | <u><b>\$ 35,524</b></u>                 |

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

**VILLAGE OF NEW STRAITSVILLE  
PERRYCOUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

|   | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|----------------------------------|--------------------------------|---|
|   | <u>Enterprise</u>                | <u>Agency</u>                  |   |
| <b>Operating Cash Receipts:</b>                     |                                  |                                |   |
| Charges for Services                                | \$ 224,567                       | \$                             | \$ 224,567                              |
| Total Operating Cash Receipts                       | <u>224,567</u>                   | <u>0</u>                       | <u>224,567</u>                          |
| <b>Operating Cash Disbursements:</b>                |                                  |                                |   |
| Personal Services                                   | 45,030                           |                                | 45,030                                  |
| Fringe Benefits                                     | 5,680                            |                                | 5,680                                   |
| Contractual Services                                | 116,201                          |                                | 116,201                                 |
| Supplies and Materials                              | 5,000                            |                                | 5,000                                   |
| Miscellaneous                                       | 1,275                            |                                | 1,275                                   |
| Total Operating Cash Disbursements                  | <u>173,186</u>                   | <u>0</u>                       | <u>173,186</u>                          |
| Operating Income/(Loss)                             | <u>51,381</u>                    | <u>0</u>                       | <u>51,381</u>                           |
| <b>Non-Operating Cash Receipts/(Disbursements):</b> |                                  |                                |   |
| Other Non-Operating Cash Receipts                   |                                  | 5,805                          | 5,805                                   |
| Debt Service  | (84,596)                         |                                | (84,596)                                |
| Other Non-Operating Cash Disbursements              |                                  | (5,040)                        | (5,040)                                 |
| Total Non-Operating Cash Receipts/(Disbursements)   | <u>(84,596)</u>                  | <u>765</u>                     | <u>(83,831)</u>                         |
| Net Cash Receipts Over/(Under) Cash Disbursements   | <u>(33,215)</u>                  | <u>765</u>                     | <u>(32,450)</u>                         |
| Fund Cash Balances, January 1                       | <u>66,509</u>                    | <u>708</u>                     | <u>67,217</u>                           |
| <b>Fund Cash Balances, December 31</b>              | <b><u>\$ 33,294</u></b>          | <b><u>\$ 1,473</u></b>         | <b><u>\$ 34,767</u></b>                 |

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



**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

| <b><u>Funds:</u></b>                        | <b><u>Balance</u><br/><u>1/1/2001</u></b> | <b><u>Receipts</u></b>   | <b><u>Disbursements</u></b> | <b><u>Balance</u><br/><u>12/31/2001</u></b> |
|---|---|--------------------------|-----------------------------|---|
| General Fund                                | \$ (8,349)                                | \$ 67,107                | \$ 63,123                   | \$ (4,365)                                  |
| Special Revenue Funds:                      |   |                          |                             |   |
| Street Construction, Maintenance and Repair | (501)                                     | 19,550                   | 33,632                      | (14,583)                                    |
| State Highway Improvement                   | 1,000                                     | 1,473                    | 2,412                       | 61  |
| Fire  | 19,267                                    | 15,341                   | 29,427                      | 5,181                                       |
| Emergency Medical Services                  | 32,382                                    | 35,487                   | 34,068                      | 33,801                                      |
| Police Levy                                 | 2,564                                     | 6,120                    | 9,153                       | (469)                                       |
| Fire Levy                                   | 783                                       | 24,808                   | 10,227                      | 15,364                                      |
| Recreation                                  | (973)                                     | 8,853                    | 7,875                       | 5   |
| COPS Fast                                   | (3,318)                                   | 9,534                    | 6,704                       | (488)                                       |
|   | <hr/>                                     | <hr/>                    | <hr/>                       | <hr/>                                       |
| Total Special Revenue Funds                 | 51,204                                    | 121,166                  | 133,498                     | 38,872                                      |
| Enterprise Funds:                           |   |                          |                             |   |
| Water                                       | 21,786                                    | 116,135                  | 156,329                     | (18,408)                                    |
| Sewer                                       | 109,175                                   | 372,704                  | 407,002                     | 74,877                                      |
| Water Deposit                               | 8,912                                     | 2,275                    | 1,147                       | 10,040                                      |
|   | <hr/>                                     | <hr/>                    | <hr/>                       | <hr/>                                       |
| Total Enterprise Funds                      | 139,873                                   | 491,114                  | 564,478                     | 66,509                                      |
| Agency Fund:                                |   |                          |                             |   |
| Mayor's Court                               | 5,895                                     | 4,902                    | 10,089                      | 708   |
|   | <hr/>                                     | <hr/>                    | <hr/>                       | <hr/>                                       |
| <b>Total All Funds</b>                      | <b><u>\$ 188,623</u></b>                  | <b><u>\$ 684,289</u></b> | <b><u>\$ 771,188</u></b>    | <b><u>\$ 101,724</u></b>                    |

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

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**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of New Straitsville, Perry 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 maintenance of streets, water and sewer services, police and fire protection services and emergency medical services.

The Village is also affiliated with the Coal Township Union Cemetery. The Board of Trustees of the Union Cemetery is appointed by the Village of New Straitsville and Coal Township. Taxes levied by the Village for cemetery maintenance are collected by Perry County, and distributed to the Union Cemetery. The Union Cemetery is a legally-separate entity that prepares and files its own financial statements. The financial activity of the Union Cemetery is not included in the accompanying financial statement. Independent audits of the Union Cemetery are performed by the Auditor of State.

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).

The Village did not classify its receipts or disbursements in the accompanying 2001 financial statement. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Village Clerk invests all available funds of the Village in an interest-bearing checking account. The Village maintains Mayor's Court activity in a separate bank account.

**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 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 NEW STRAITSVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources 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.

*Fire Fund* - This fund receives contracted services revenue to provide fire protection and maintain fire equipment.

*Emergency Medical Services Fund* - This fund receives property tax money and contracted services revenue to provide emergency medical services.

*Fire Levy Fund* - This fund receives property tax money for providing fire protection for the Village.

**3. Enterprise Funds**

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

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

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

**4. Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

*Mayor's Court Fund* - This fund accounts for the financial activity of the Mayor's Court.

**E. Budgetary Process**

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

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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 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.

**3. 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 encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**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:

|                         | 2002      | 2001       |
|-------------------------|-----------|------------|
| Demand deposits         | \$ 60,491 | \$ 91,924  |
| Certificates of deposit | 9,800     | 9,800      |
| Total deposits          | \$ 70,291 | \$ 101,724 |

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

| 2002 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$ 0                 | \$ 61,426          | \$ 61,426  |
| Special Revenue                   | 0                    | 223,659            | 223,659    |
| Enterprise                        | 0                    | 224,567            | 224,567    |
| Total                             | \$ 0                 | \$ 509,652         | \$ 509,652 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |            |
|---|----------------------------|---------------------------|------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
| General   | \$ 67,000                  | \$ 69,112                 | \$ (2,112) |
| Special Revenue                                       | 256,774                    | 214,956                   | 41,818     |
| Enterprise  | 270,069                    | 257,782                   | 12,287     |
| Total   | \$ 593,843                 | \$ 541,850                | \$ 51,993  |

| 2001 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$ 55,822            | \$ 67,107          | \$ 11,285  |
| Special Revenue                   | 87,050               | 121,166            | 34,116     |
| Enterprise                        | 225,500              | 491,114            | 265,614    |
| Total                             | \$ 368,372           | \$ 679,387         | \$ 311,015 |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |              |
|---|----------------------------|---------------------------|--------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance     |
| General   | \$ 102,480                 | \$ 63,123                 | \$ 39,357    |
| Special Revenue                                       | 70,300                     | 133,498                   | (63,198)     |
| Enterprise  | 260,740                    | 564,478                   | (303,738)    |
| Total   | \$ 433,520                 | \$ 761,099                | \$ (327,579) |

No certificate of estimate resources was obtained for 2002, contrary to Ohio law. Appropriations exceeded estimated resources in several funds for the year ended December 31, 2001, contrary to Ohio law. Expenditures exceeded appropriations in several funds for the year ended December 31, 2001, contrary to Ohio law. Deficit fund cash balances existed in several funds for the years ended December 31, 2002 and 2001, contrary to Ohio law.

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. 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 payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such 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. DEBT**

Debt outstanding at December 31, 2002 was as follows:

|                                     | <u>Principal</u>    | <u>Interest Rate</u> |
|-------------------------------------|---------------------|----------------------|
| Sewer System Mortgage Revenue Bonds | \$ 1,754,000        | 3.25%                |
| Capital Leases                      | 49,120              | 5.5% - 6.20%         |
| General Obligation Notes            | 9,429               | 2.74%                |
| Vehicle Acquisition Bonds           | 71,000              | 5.75%                |
| Total                               | <u>\$ 1,883,549</u> |                      |

The sewer system mortgage revenue bonds were issued in 1999 to refund sewer system temporary revenue bonds that were issued in 1997 as interim financing for the sewer system construction project. The Village has pledged sewer system revenue to pay the mortgage revenue bonds.

The general obligation notes, vehicle acquisition bonds and leases relate to acquisitions of a fire truck, ambulance and a street truck. This debt is payable from general revenues of the Village. The full faith and credit of the Village have been pledged to the general obligation notes and vehicle acquisition bonds. The capital leases are collateralized by the equipment leased.

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

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

| Year ending<br>December 31: | Sewer System<br>Mortgage<br>Revenue Bonds | General<br>Obligation<br>Notes | Capital<br>Leases | Emergency<br>Vehicle<br>Acquisition<br>Bonds | Total               |
|-----------------------------|---|--------------------------------|-------------------|--|---------------------|
| 2003                        | \$ 82,005                                 | \$ 9,687                       | \$ 32,029         | \$ 14,658                                    | \$ 138,379          |
| 2004                        | 82,193                                    |                                | 19,470            | 14,122                                       | 115,785             |
| 2005                        | 81,347                                    |                                |                   | 13,586                                       | 94,933              |
| 2006                        | 82,503                                    |                                |                   | 13,050                                       | 95,553              |
| 2007                        | 82,592                                    |                                |                   | 12,514                                       | 95,106              |
| Subsequent                  | 2,687,333                                 |                                |                   | 23,420                                       | 2,710,753           |
| Total                       | <u>\$ 3,097,973</u>                       | <u>\$ 9,687</u>                | <u>\$ 51,499</u>  | <u>\$ 91,350</u>                             | <u>\$ 3,250,509</u> |

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees, part time law enforcement officers and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These 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 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2002 and 2001, members of PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has not paid all employer contributions required through December 31, 2002. As disclosed in Note 9, at December 31, 2002, the Village owed PERS \$27,877 and OP&F \$13,506.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Property;
- Public Officials Liability;
- Errors and omissions.



**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. ABILITY OF THE VILLAGE TO MEET ITS OBLIGATIONS AS THEY COME DUE**

As of December 31, 2002, the Village had the following financial commitments that were unpaid:

1. The Village owed the Public Employees Retirement System \$27,877.
2. The Village owed the Ohio Police and Fire Pension Fund \$13,506.
3. The Village owed the IRS \$12,033 for federal taxes withheld but not paid for the fourth quarter of 2001 and all of 2002. The Village paid these taxes on January 6, 2003.
4. The Village was in arrears regarding required deposits totaling \$15,400 into the sewer reserve account, required by Village Ordinance 99.018.

Further, as stated in Note 5, the Village has substantial debt payments due during 2003, including an \$82,005 sewer system mortgage revenue bond payment, due on December 1, 2003. Based on the Village's current Sewer Fund balance and operating expenses incurred during 2002, there is substantial doubt as to whether the Village will be able to meet this and other debt obligations without layoffs, cuts in public service, or significant new sources of revenue. Management of the Village has not adopted any plans to address this situation.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of New Straitsville  
Perry County  
P.O. Box 238  
New Straitsville, Ohio 43766

To the Village Council:

We have audited the accompanying financial statements of the Village of New Straitsville, Perry County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 12, 2003, which was qualified since the Village did not classify receipts and disbursements for its 2001 financial statement, and wherein we expressed doubt about the Village's ability to continue as a going concern. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*, which are described in the accompanying Schedule of Findings as items 2002-31064-001 through 2002-31064-012. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 12, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village'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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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's ability to record, process, summarize and report financial data, consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying Schedule of Findings as item 2002-31064-013.

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A material weakness is a 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 in amounts that would be material in relation to the financial statement 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. The reportable condition described above is considered a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 12, 2003.

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

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

**Betty Montgomery**  
Auditor of State

March 12, 2003

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

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

**FINDING NUMBER 2002-30705-001**

**Noncompliance Citation**

Ohio Rev. Code Section 145.47 requires the fiscal officer of each local authority to transmit promptly to the Secretary of the Public Employees Retirement Board (PERS) a report of contributions at such intervals and in such form as the board shall require, showing thereon all deductions for the public employees retirement system made from the earnable salary of each contributor employed. A penalty of five percent of the total amount due for the particular reporting period shall be added when such reports and checks are filed thirty days or more after the last day of such reporting period.

PERS contributions were not made in full in years prior to 2001. The Village had an unpaid balance of \$27,877 as of March 12, 2003.

We recommend the Village contact the Public Employees Retirement Board and make arrangements to make payments on the delinquent amount.

**FINDING NUMBER 2002-30705-002**

**Noncompliance Citation**

Ohio Rev. Code Section 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not maintain a receipt ledger, appropriation ledger or cash journal in 2001. The Village did not classify receipt and disbursement transactions for 2001. The Village was therefore unable to monitor compliance with its appropriation resolution. The Village was also unable to classify receipts by source or disbursements by purpose in its annual report, contrary to Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

However, the Village implemented the Uniform Accounting Network (UAN) accounting system during 2002, and, accordingly, was able to prepare classified financial statements for 2002.

**FINDING NUMBER 2002-31064-003**

**Noncompliance Citation**

Ohio Rev. Code Sections 742.34 and 742.35 state that each employer's Ohio Police and Fire Pension Fund quarterly billing contribution is due for the preceding quarter on March 31, June 30, September 30, and December 31 of each year. Ohio Rev. Code Section 742.32 requires employers to submit monthly to the Ohio Police and Fire Pension Fund a report of employee deductions accompanied by payments to cover the total amount due.

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**FINDING NUMBER 2002-31064-003  
(Continued)**

**Noncompliance Citation (Continued)**

Ohio Rev. Code Sections 742.34 and 742.35 (Continued)

The Village did not remit timely to the Ohio Police and Fire Pension Fund the employee or employer share of retirement contributions during 2000. In 2001 the Village's police and fire employees were transferred to the Public Employees Retirement System. However, the Village did not remit payments to Ohio Police and Fire to pay delinquent amounts in 2001 or 2002 and, as of March 12, 2003, had an outstanding balance of \$13,506.

We recommend the Village contact the Ohio Police and Fire Pension fund to make arrangements to remit the delinquent amount.

**FINDING NUMBER 2002-31064-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 states, in part, that money paid into any fund shall be used for the purposes for which such fund was established. A deficit fund balance indicates that monies from other funds have been used to pay obligations of the fund with the deficit balance.

The following funds had deficit balances existing as of December 31:

| Fund  | Deficit Amount |             |
|---|----------------|-------------|
|   | 2002           | 2001        |
| General                                     | \$ (12,051)    | \$ (4,365)  |
| Street Construction, Maintenance and Repair | (14,431)       | (14,583)    |
| COPS Fast                                   | (3,105)        | (488)       |
| Police Levy                                 |                | (469)       |
| Water                                       | (1,066)        | (18,408)    |
| Total                                       | \$ (30,653)    | \$ (38,313) |

We recommend the Village Council review fund balances on a monthly basis, prior to approving disbursements, to ensure sufficient fund balances are available to pay the obligations of the Village.

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**FINDING NUMBER 2002-31064-005**

**Noncompliance Citation**

Ohio Rev. Code Sections 5705.10, 5705.14, 5705.15, and 5705.16 generally set the provisions under which cash may be advanced from one fund to another. Under these provisions, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash ("the creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established, the reimbursement from the debtor fund to the creditor fund must not violate any restrictions on the use of the money to be used to make the reimbursement, and advances must be approved by a formal resolution of the taxing authority of the subdivision..

During the audit period, monies were advanced from the Sewer Fund to various Special Revenue Funds and the General Fund. These advances were not approved by Village Council, were not documented in the Village's official minute record, and did not meet the general requirements regarding purpose. Consequently, these transactions required adjustments to be removed from the financial statements.

We recommend the Village advance monies only to funds established for the same purpose as the fund making the advance. We also recommend all advances be clearly stated as such in the official minute record and approved by Council.

**FINDING NUMBER 2002-31064-006**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The certification for 2001 was not filed with the County Auditor until June 13, 2001. The certification for 2002 was not filed. This resulted in the County Auditor not issuing the Village an amended certificate of estimated resources in 2002.

We recommend the Village Clerk complete the required certification and file it with the County Auditor on or about January 1.

VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)

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

**FINDING NUMBER 2002-31064-007**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village did not receive the certificate from the County Auditor in 2002 because of the Village's failure to certify balances at December 31, 2001 for 2002. This resulted in the Village not having estimated revenue in 2002 and appropriations exceeding estimated resources. Also, the County Auditor did not file a certificate that the total appropriations from each fund did not exceed the total official estimate or amended official estimate in 2002 because the Village failed to file the appropriation resolution with the County Auditor.

Appropriations exceeded estimated resources at December 31, 2001, in the following funds:

| Fund       | Estimated Resources | Appropriations | Variance    |
|------------|---------------------|----------------|-------------|
| General    | \$ 86,348           | \$ 102,480     | \$ (16,132) |
| Fire       | 18,883              | 34,600         | (15,717)    |
| Recreation | (928)               | 3,000          | (3,928)     |
| Sewer      | 75,432              | 112,000        | (36,568)    |

We recommend the Village complete the required budgetary steps to ensure that the certificate of estimated resources is completed by the County Auditor. We also recommend that once the certificate is received, the Village Clerk monitor appropriations to ensure that appropriations do not exceed estimated resources.

**FINDING NUMBER 2002-31064-008**

**Noncompliance Citation**

Ohio Rev. Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been properly appropriated.



**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**FINDING NUMBER 2002-31064-008  
(Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Section 5705.41(B) (Continued)**

Expenditures exceeded appropriations as of December 31, 2001, in the following funds:

| Fund          | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
|---------------|----------------------------|---------------------------|-------------|
| Street        | \$ 11,600                  | \$ 33,632                 | \$ (22,032) |
| State Highway | 1,100                      | 2,412                     | (1,312)     |
| Police        | 0                          | 9,153                     | (9,153)     |
| EMS           | 20,000                     | 34,068                    | (14,068)    |
| Fire Levy     | 0                          | 10,227                    | (10,227)    |
| COPS Fast     | 0                          | 6,704                     | (6,704)     |
| Recreation    | 3,000                      | 7,875                     | (4,875)     |
| Water         | 148,740                    | 156,329                   | (7,589)     |
| Sewer         | 112,000                    | 407,002                   | (295,002)   |
| Water Deposit | 0                          | 1,147                     | (1,147)     |

The Village Clerk should deny payment requests exceeding appropriations. The Village Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2002-31064-009**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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 encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

The following exceptions to this basic requirement are provided by statute:

- ▶ "Then and Now Certificate": 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 he is completing his 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.

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2002-31064-009  
(Continued)**

**Noncompliance Citation (Continued)**

Ohio Rev. Code Section 5705.41(D) (Continued)

- ▶ Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Of the expenditures tested, 100% in 2001 and 65% in 2002 did not have the prior certification of the Village Clerk, and neither of the exceptions noted above were met. The failure to properly certify funds contributed to the deficits cited in Findings 2002-31064-004 and 2002-31064-008.

We recommend the Village obtain the prior certification of the Village Clerk before an obligation is incurred.

**FINDING NUMBER 2002-31064-010**

**Noncompliance Citation**

Village of New Straitsville Ordinance 99.018 required that commencing January 15, 2000, the Village establish a Sewer Reserve Fund and allocate \$700 per month to this reserve until the fund has accumulated \$84,000, at which time the payments may be discontinued. The Reserve Fund shall be maintained in the custody of the Village, and shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the sewer utility which may be caused by an unforeseen catastrophe or for making any extensions or improvements to the sewer utility. Any monies withdrawn from the Reserve Fund must be replaced in order to maintain the required balance.

As of December 31, 2002, the Village had set aside \$9,800 of the required \$25,200 reserve. As of result, the Village is \$15,400 in arrears.

We recommend the Village establish a separate Sewer Reserve Fund and deposit the amounts required into this fund.

**FINDING NUMBER 2002-31064-011**

**Noncompliance Citation**

Internal Revenue Code Chapter 24, Section 3402, states that an employer shall be liable for the payment of taxes withheld from employees that are required to be deducted and withheld.

The Village did not remit to the IRS federal income tax withholdings timely in 2001 or 2002. The Village made a \$12,033 payment to the IRS on January 6, 2003 to remit withholdings for the fourth quarter of 2001 and all of 2002.

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**FINDING NUMBER 2002-31064-011  
(Continued)**

**Noncompliance Citation (Continued)**

Internal Revenue Code Chapter 24, Section 3402 (Continued)

We recommend the Village remit employee federal income tax withholdings monthly and perform reconciliations when preparing quarterly Form 941.

**FINDING NUMBER 2002-31064-012**

**Finding for Adjustment**

Ohio Revised Code Section 5705.10 provides that money paid into the fund shall be used only for the purpose for which the fund was established. Money in a fund may be used to pay expenditures provided the payment of such expenditures is consistent with the purpose for which the fund was established.

During our audit, we noted in 2001 and 2002 that the Village posted a total of \$28,051 in 2001 and \$23,193 in 2002 of expenditures to the Sewer Fund that should have been posted to several other Village funds, due to the fact these expenditures were not Sewer Fund related. Additionally, we noted the Village made \$41,116 of the \$81,785 Sewer Fund bond principal and interest payment due to the United States Department of Agriculture from funds other than the Sewer Fund.

As a result, we determined that the following net fund balance adjustments are required at December 31, 2002 to properly record these expenditures in the appropriate funds:

| Fund            | Increase in<br>Fund<br>Balance | Decrease in<br>Fund<br>Balance | Net<br>Adjustment |
|-----------------|--------------------------------|--------------------------------|-------------------|
| General         | \$ 3,683                       | \$ (10,052)                    | \$ (6,369)        |
| Street          | 550                            | (15,936)                       | (15,386)          |
| Police          | 2,506                          | (1,390)                        | 1,116             |
| State Highway   | 1,009                          | 0                              | 1,009             |
| COPS Fast       | 2,689                          | 0                              | 2,689             |
| Fire Levy       | 5,200                          | 0                              | 5,200             |
| EMS             | 0                              | (11)                           | (11)              |
| Fire            | 8,774                          | (513)                          | 8,261             |
| Water           | 15,539                         | (23,342)                       | (7,803)           |
| Utility Deposit | 1,164                          | 0                              | 1,164             |
| Sewer           | 51,243                         | (41,113)                       | 10,130            |
| Total           | <u>\$ 92,357</u>               | <u>\$ (92,357)</u>             | <u>\$ 0</u>       |

VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)

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

**FINDING NUMBER 2002-31064-012  
(Continued)**

**Finding for Adjustment (Continued)**

**Ohio Revised Code Section 5705.10 (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 5705.10, a Finding for Adjustment for monies incorrectly expended is hereby issued in favor of/(against) the various funds as noted above.

These adjustments are reflected in the accompanying financial statements.

**FINDING NUMBER 2002-31064-013**

**Material Weakness - Bank Reconciliations**

Bank reconciliations were not performed for the years audited. Bank reconciliations should be prepared in order to help maintain financial integrity and accountability.

This resulted in the Village's cashbook being out of balance with the depository and allowed errors and could allow irregularities to occur and go undetected.

We recommend a monthly reconciliation report be presented to Village Council or the Finance Committee. The report should include documentation for all reconciling items, including an outstanding check list.

**VILLAGE OF NEW STRAITSVILLE  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b> |
|----------------|---|------------------|--|
| 2000-31064-001 | A material noncompliance citation was issued under Ohio Rev. Code Section 5705.10 for having deficit fund balances.                             | No               | Not Corrected.<br><br>The finding is repeated in the current audit Schedule of Findings as item 2002-31064-004.                  |
| 2000-31064-002 | A material noncompliance citation was issued under Ohio Rev. Code Section 5705.36 for not reducing estimated resources.                         | Yes              | Corrected.   |
| 2000-31064-003 | A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.             | No               | Not corrected:<br><br>The finding is repeated in the current audit Schedule of Findings as item 2001-31064-007.                  |
| 2000-31064-004 | A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expending money without the benefit of appropriations. | No               | Not corrected.<br><br>The finding is repeated in the current audit Schedule of Findings as item 2001-31064-008.                  |
| 2000-31064-005 | A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not properly certifying the availability of funds.     | No               | Not corrected:<br><br>The finding is repeated in the current audit Schedule of Findings as item 2002-31064-009.                  |
| 2000-31064-006 | A material weakness was issued for not performing monthly bank reconciliations.   | No               | Not Corrected<br><br>The finding is repeated in the current audit Schedule of Findings as item 2002-31064-012.                   |





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**VILLAGE OF NEW STRAITSVILLE**

**PERRY 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  
MAY 8, 2003**