



**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004 -2003**



**Auditor of State  
Betty Montgomery**



VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Stoutsville  
Fairfield County  
P.O. Box 115  
Stoutsville, Ohio 43154

To the Village Council:

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

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

March 21, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Stoutsville  
Fairfield County  
P.O. Box 115  
Stoutsville, Ohio 43154

To the Village Council:

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

Except as discussed in the following paragraph, 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. For 2004, the Village processed its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

Because of the inadequacies in the Village's accounting records, we were unable to determine the completeness of the Special Assessment receipts for 2004 or 2003 in the accompanying financial statements, nor were we able to satisfy ourselves to those financial activities by other auditing procedures. In addition, the accompanying financial statements for 2003 present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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

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

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

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had special assessment receipts in 2004 and 2003 be susceptible to satisfactory audit test, and except for the omission of receipt and disbursement classifications for 2003, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Stoutsville, Fairfield County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and combined unclassified receipts and disbursements for the respective years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

March 21, 2006

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$19,597	\$4,358	\$23,955
Intergovernmental Receipts	20,454	25,122	45,576
Fines, Licenses, and Permits	2,173	0	2,173
Earnings on Investments	1,028	0	1,028
Miscellaneous	168	0	168
	<u>43,420</u>	<u>29,480</u>	<u>72,900</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	2,603	2,040	4,643
Public Health Services	1,553	0	1,553
Transportation	297	22,589	22,886
General Government	17,424	0	17,424
Debt Service Payments	9,746	0	9,746
	<u>31,623</u>	<u>24,629</u>	<u>56,252</u>
<b>Total Cash Disbursements</b>			
	<u>31,623</u>	<u>24,629</u>	<u>56,252</u>
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>11,797</u>	<u>4,851</u>	<u>16,648</u>
Fund Cash Balances, January 1	<u>44,772</u>	<u>60,583</u>	<u>105,355</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$56,569</b></u>	<u><b>\$65,434</b></u>	<u><b>\$122,003</b></u>

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

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Special Assessments	\$50,342
Earnings on Investments	44
	50,386
Total Operating Cash Receipts	50,386
<b>Operating Cash Disbursements:</b>	
Contractual Services	61,389
	61,389
Total Operating Cash Disbursements	61,389
Cash Receipts Under Cash Disbursements	(11,003)
Fund Cash Balances, January 1	36,381
<b>Fund Cash Balances, December 31</b>	<b>\$25,378</b>

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

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Cash Receipts	<u>\$43,042</u>	<u>\$31,908</u>	<u>\$59,036</u>	<u>\$133,986</u>
<b>Cash Disbursements:</b>				
Cash Disbursements	<u>42,658</u>	<u>19,423</u>	<u>59,036</u>	<u>121,117</u>
Cash Receipts Over Cash Disbursements	384	12,485	0	12,869
Fund Cash Balances, January 1	<u>44,388</u>	<u>48,098</u>	<u>0</u>	<u>92,486</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$44,772</u></u></b>	<b><u><u>\$60,583</u></u></b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$105,355</u></u></b>

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

VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Cash Receipts:</b>	
Cash Receipts	<u>\$52,366</u>
<b>Cash Disbursements:</b>	
Cash Disbursements	<u>41,688</u>
Cash Receipts Over Cash Disbursements	10,678
Fund Cash Balances, January 1	<u>25,703</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$36,381</u></u></b>

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

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Stoutsville, Fairfield County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services and park operations. The Village is in the process of starting sewer utility services. The Village contracts with the Fairfield County Sheriff's department to provide security of persons and property. The Village contracts with Cleercreek Township to receive fire protection services.

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

**B. Basis of Accounting**

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

The Village did not classify its receipts and disbursements in the accompanying financial statements for the year ended December 31, 2003. This is a material departure of Ohio Administrative Code Section 117-2-02(A), which requires governments to classify receipts and disbursements.

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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 Fund:

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

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

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

**C. Fund Accounting (Continued)**

**3. Capital Projects Fund**

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

Storm Sewer Fund - This fund receives Ohio Public Works Commission funds that were utilized to construct a storm sewer system.

**4. Enterprise Fund**

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

Sanitary Sewer Fund - This fund receives assessments from residents to cover the cost of constructing a sanitary sewer system.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

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

**E. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED CASH**

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

	2004	2003
Demand deposits	\$147,381	\$141,736

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

**3. BUDGETARY ACTIVITY**

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

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,582	\$43,420	(\$12,162)
Special Revenue	25,300	29,480	4,180
Enterprise	64,500	50,386	(14,114)
Total	\$145,382	\$123,286	(\$22,096)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,970	\$31,623	\$13,347
Special Revenue	43,625	24,629	18,996
Capital Projects	217,364	0	217,364
Enterprise	0	61,389	(61,389)
Total	\$305,959	\$117,641	\$188,318

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,582	\$43,042	(\$14,540)
Special Revenue	56,200	31,908	(24,292)
Capital Projects	250,937	59,036	(191,901)
Enterprise	37,025	52,366	15,341
Total	\$401,744	\$186,352	(\$215,392)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,505	\$42,658	(\$153)
Special Revenue	65,984	19,423	46,561
Capital Projects	250,937	59,036	191,901
Enterprise	0	41,688	(41,688)
Total	\$359,426	\$162,805	\$196,621

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sanitary Sewer Fund by \$61,389 and \$41,688 for the years ended December 31, 2004 and December 31, 2003, respectively. Also contrary to Ohio law, appropriations exceed estimated resources in the Storm Sewer Fund by \$172,364 at January 31, 2004, by \$217,364 at December 31, 2004 and by \$250,937 at January 31, 2003.

**4. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located 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 the Village's behalf.

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

**5. RETIREMENT SYSTEMS**

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

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

**6. Debt**

The Village had a lease agreement with New Holland Credit Company for the lease/purchase of a backhoe. The lease was being repaid in semi-annual installments of \$4,873. This lease was paid off in 2004.

Amortization of the above debt, including interest, paid as follows:

	<u>Backhoe</u>
Year ending December 31:	
2005	\$9,746
2006	9,746
Total	\$19,492

**7. RISK MANAGEMENT**

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

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	(3,424,271)	(3,653,152)
Accumulated deficit	(\$1,034,121)	(\$1,841,812)

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**Auditor of State  
Betty Montgomery**

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

Village of Stoutsville  
Fairfield County  
P.O. Box 115  
Stoutsville, Ohio 43154

To the Village Council:

We have audited the financial statements of the Village of Stoutsville, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated March 21, 2006 wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We were unable to determine the completeness over special assessment receipts, and the Village did not classify receipts and disbursements in its financial statements for 2003. We also noted the Village used the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions for 2004. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-005, and 2004-009.

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. 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 material weaknesses. We considered reportable conditions 2004-001 and 2004-003 through 2004-005 to be material weaknesses. In a separate letter to the Village's management dated March 21, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-004 through 2004-009. In a separate letter to the Village's management dated March 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

March 21, 2006

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2004-001</b>
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**Cash Reconciliations**

Reconciling cash is an important control instituted by management to assure the completeness and accuracy of cash transactions reflected in the financial statements. Monthly cash reconciliations which encompass investigating unusual reconciling items should be performed by all entities regardless of their size or the number of financial transactions processed. By doing so, the entity can gain assurance as to the completeness and accuracy of the accounting records. Failure to accurately prepare or monitor reconciliations could result in errors and omissions to occur and not be detected by management in a timely manner.

The Clerk-Treasurer completed bank reconciliations for the 2003 and 2004 fiscal years. However, these reconciliations contained errors, that when corrected, revealed that the Village was not reconciled. These errors resulted in adjustments to the financial statements of the Village.

We recommend the Village Clerk-Treasurer develop and implement procedures to ensure the accuracy, completeness and reasonableness of the bank reconciliations. Additionally, reconciling items should be identified and corrected or resolved in a timely manner.

**Management's Response**

Monthly bank reconciliations are currently being performed and total deposits/disbursements and cash are being verified to be in balance with bank statements

<b>Finding Number</b>	<b>2004-002</b>
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**Monthly Financial Reports**

The Village Council (the Council) was not provided monthly financial reports during the audit period.

Lack of monitoring and review of the Village's financial information limits the Council's ability to make timely and informed decisions about the Village's finances. It could also lead to errors or irregularities to occur and go undetected by management.

We recommend the Council review monthly bank reconciliations, fund status reports, monthly receipt and expenditure reports, budget vs. actual reports and any other information the Council deems significant. The Council should review these reports and follow up on matters deemed to be significant or unusual. This review should be documented in the record of minutes. We also recommend that Council members periodically agree amounts listed in the financial reports presented for review to the Village's ledgers and any other supporting documentation that would ensure the accuracy of the reports.

**Management's Response**

Currently Village Council is provided with monthly receipt and expenditure information. Beginning in May 2006, all recommended reports will be provided to Council on a monthly basis

VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)

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

Finding Number	2004-003
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**Timely Depositing of Receipts**

The Clerk-Treasurer held many Village receipts for up to three months before depositing them with the Village's financial institution and recording them in the Village's accounting records. The Clerk-Treasurer did not deposit or post the 2002 second half real estate settlement from the county auditor and as of the date of this report these funds are on deposit with Fairfield County as Unclaimed Funds totaling approximately \$9,000. Additionally, the October 2004 Local Government and Auto Tag distribution from the County Auditor was not recorded in the financial records or deposited with the financial institution during the audit period. This distribution which totaled \$1,300 was deposited with the Village's financial institution in January 2005.

The Clerk/Treasurer should monitor revenues to be received to ensure all sources of regular revenue (i.e. real estate settlements, local government monies, etc.) are received. All funds should be deposited with the financial institution and recorded in the accounting records in a timely manner. Lack of timely deposit with the financial institution could allow for loss or theft of Village funds. Additionally, untimely depositing leads to a loss of interest revenue on these funds.

We recommend the Village establish procedures to deposit receipts with its financial institution daily or within the next business day to ensure that deposits are properly safeguarded. In addition, we recommend the Clerk/Treasurer establish a tickler file which would include approximate dates of regular revenues to be received. The Clerk/Treasurer should refer to this file on a periodic basis to determine if revenues have been received, and if the revenues have not been received, the appropriate parties should be contacted.

We did not receive a response from Management to this finding.

Finding Number	2004-004
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**Special Assessments- Planning Fees-**

Ohio Rev. Code Section 729.11, states, in part, that the legislative authority of a municipal corporation may, whenever it has determined by ordinance that it is necessary to construct, enlarge, or improve a sanitary sewage system, or for the preliminary assessment upon the benefited lots and lands within the corporation for the purpose of paying the costs of general and detailed plans, specifications, estimates, preparation of the tentative assessment, financing and legal services incident to the preparation of such plans, and a plan for financing the proposed improvement. This section further requires that upon the completion of the tentative assessments or any additional assessments, they shall be filed with the clerk of the legislative authority and shall remain open to public inspection. Additionally, the assessments levied by such ordinance shall be certified to the county auditor for collection as other taxes in the year or years in which they are payable.

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2004-004 (Continued)</b>
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**Special Assessments- Planning Fees (Continued)**

Further, Ohio Rev. Code Section 733.28 requires the Village Clerk-Treasurer to maintain the books of the Village and records of all taxes and assessments.

The Village assessed the planning costs for its new sewer system to each of the residents of the Village in 2002 by ordinance. However, the ordinance approving these assessments was not maintained on file with the Village. Additionally, the Village's practice has been that some assessments were filed with the County Auditor for collection, and other assessments were to be billed by the Clerk-Treasurer of the Village. The practice was for the Clerk-Treasurer to bill the residents not certified to the county quarterly. The assessment for all residents was \$75 a quarter or \$300 a year. However, the Clerk-Treasurer did not maintain records during 2003 and 2004 to indicate when individuals had paid their assessments. The bills sent to the residents by the Clerk Treasurer did not contain any indication of the time period for the billing. As such, the Village is unable to determine which residents have paid their assessments and which residents still owe outstanding balances.

The Village officials should review Ohio Rev. Code Sections 729.11 and 733.28 and determine the appropriate steps to resolve the lack of completeness of the sewer collections. The Village officials should determine, using appropriate supporting documentation or records, the completeness and accuracy of the billings. Once the records are found to be complete, the Village should assess any remaining balances unpaid by the residents of the Village.

To ensure all collections due the Village are received and timely recorded, we recommend that the Village Council establish policies and procedures that require adequate record-keeping. The Village Council should determine procedures to ensure collection of unpaid assessments.

We did not receive a response from Management to this finding.

<b>Finding Number</b>	<b>2004-005</b>
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**Accounting System**

Ohio Rev. Code Section 733.28 requires the Village Clerk-Treasurer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Furthermore, Ohio Rev. Code Section 117.38 requires each public office, other than a state agency, to file a financial report for each fiscal year. This report shall contain the amount of collections and receipts, and accounts due from each source.

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2004-005 (Continued)</b>
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**Accounting System (Continued)**

Ohio Admin. Code Section 117-2-02(A) requires all local public offices 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.

Per Ohio Administrative Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

More specifically, Ohio Admin. Code Section 117-9-01 provides suggested account classifications for villages. These accounts classify receipts by source (taxes, or charges for services, for example) and classify disbursements by program (security or persons and property, for example) or object (personal services, for example). Using these classifications and aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village's Clerk-Treasurer did not maintain a receipt ledger or appropriation ledger for 2003. Therefore, the Village did not classify receipt and disbursement transactions for 2003. As a result, the Village was 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 Revised Code Section 117.38.

We recommend the Village maintain all the ledgers required by the Ohio Administrative Code. We also recommend that Village Council periodically review these records to ensure the existence, accuracy and completeness of the ledgers. Finally, we recommend that the Village classify receipts and expenditures in the annual report, as required by the Ohio Revised Code and the Ohio Administrative Code.

**Management's Response**

Filing the annual financial report in the required format is not possible due to the previous Clerk not maintaining all the appropriate financial records required. As of January 1, 2006 all necessary ledgers and journals are in place and are updated as needed, making accurate and definitive future financial reporting possible.

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2004-006</b>
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**Appropriations Exceeding Estimated Resources**

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals. The Village's appropriations exceeded its total estimated revenue (estimated receipts plus unencumbered balance) in the following instances throughout 2003 and 2004:

	Unencumbered	Estimated	Total Est.			
Fund	Balance at 1/1/03	Receipts	Resources	Appropriations	Variance	As of
Storm Sewer Fund	0	0	0	250,937	(250,937)	1/03
	Unencumbered	Estimated	Total Est.			
Fund	Balance at 1/1/04	Receipts	Resources	Appropriations	Variance	As of
Storm Sewer Fund	0	45,000	45,000	217,364	(172,364)	1/04
Storm Sewer Fund	0	0	0	217,364	(217,364)	8/04, 12/04

Failure to limit appropriations to estimated resources could lead to deficit spending.

We recommend the Village only appropriate funds within the Village's estimated resources, and if necessary, that Village Council amend the estimated resources.

We did not receive a response from Management to this finding

<b>Finding Number</b>	<b>2004-007</b>
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**Expenditures Exceeding Appropriations**

Ohio Rev. Code Section 5705.41 (B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter.

Expenditures exceeded appropriations at December 31, 2003 in the sewer fund by \$ 41,688. At December 31, 2004, expenditures exceeded appropriations in the sewer fund by \$ 61,389.

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2004-007(Continued)</b>
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**Expenditures Exceeding Appropriations (Continued)**

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. Failure to keep expenditures within appropriations could allow the Village to overspend funds.

We recommend that the Village only expend funds within the approved appropriations.

We did not receive a response from Management to this finding.

<b>Finding Number</b>	<b>2004-008</b>
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**Motor Vehicle License Tax and Gasoline Tax Revenues-Finding for Adjustment**

Ohio Rev. Code Section 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In 2004, the Clerk-Treasurer posted motor vehicle license tax and gasoline tax revenues to funds other than the Permissive Motor Vehicle License Tax fund and the Street Construction and Repair fund, respectively.

The lack of accurate posting of receipts leads to inaccurate financial information and in some cases understated and/or overstated Township fund balances. Inaccurate postings could also allow restricted funds to be used for improper purposes.

A Finding for Adjustment is hereby issued for 2004 against the Street Construction & Maintenance Fund in the amount of \$4,831, the General Fund in the amount of \$353 and the Sewer Planning Fund in the amount of \$300 in favor of the Permissive Motor Vehicle License Tax Fund for motor vehicle license taxes. A Finding for Adjustment is hereby issued for 2004 against the Permissive Motor Vehicle License tax fund in the amount of \$1,428 in favor of the Street Construction & Maintenance Fund for gasoline taxes.

We recommend the Clerk utilize tax settlement sheets and other documentation when posting receipts to ensure they are posted to the appropriate funds and account codes for funds that have external restrictions. The financial statements have been adjusted to correctly reflect the motor vehicle license and gasoline taxes.

We did not receive a response from Management to this finding.

VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)

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

Finding Number	2004-009
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**Certifying Funds Prior to Expenditure**

Ohio Rev. Code Section 5705.41 (D) (1) provides no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D) (3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate-** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time 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 (\$1,000 prior to April 7, 2003) 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-** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months). The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate-** The Village may also issue certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expenses. 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 line item appropriation.

VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)

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

Finding Number(Continued)	2004-009 (Continued)
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**Certifying Funds Prior to Expenditure (Continued)**

Sixty-four percent of the expenditures tested were not certified at the time of the obligation. Then and Now Certificates were not issued for the transactions that were not certified. Failure to certify funds prior to expenditure could allow expenditures to exceed available funds not already set aside for future expenditures.

We recommend the Clerk-Treasurer ensure funds are certified as available prior to the obligation through the issuance of a purchase order containing appropriate certification, or through the use of then and now certificates or so-called blanket or super blanket certificates as further permitted by Section 5705.41(D) (1) and 5705.41(D)(3) of the Revised Code.

We did not receive a response from Management to this finding.

**VILLAGE OF STOUTSVILLE  
FAIRFIELD COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	ORC Section 5705.41 (D)- Failure to certify funds prior to expending	No	Not corrected. Re-issued as Finding 2004-009
2002-002	ORC Sections 135.21 and 5705.10- Allocating interest to funds	No	Partially Corrected. Re-issued in management letter
2002-003	ORC Section 5705.41(B)- Appropriating funds prior to expenditure	No	Not Correct. Re-issued as Finding 2004-007
2002-004	ORC Section 5705.04- Crediting taxes to specific funds	No	Re-issued in management letter.
2002-005	Depositing funds with financial institution in timely manner and safeguarding against theft	No	Not corrected. Re-issued as Finding 2004-003
2002-006	Failure to maintain necessary accounting records	No	Not corrected. Re-issued as Finding 2004-005
2002-007	Failure to maintain receipt and expenditure documentation	No	Partially Corrected- Management letter comment issued for failure to maintain expenditure documentation
2002-008	Failure for Council to review monthly financial reports	No	Not corrected-Re-issued as Finding 2004-002
2002-009	Failure to complete accurate bank reconciliations in a timely manner.	No	Not corrected. Re-issued as Finding 2004-001





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**VILLAGE OF STOUTSVILLE**

**FAIRFIELD 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 4, 2006**