

Village of New Holland

Pickaway County, Ohio

Regular Audit

For the Years Ended December 31, 2006 and 2005

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com



Mary Taylor, CPA

Auditor of State

Village Council
Village of New Holland
10 East Front Street
New Holland, Ohio 43145

We have reviewed the *Independent Auditor's Report* of the Village of New Holland, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 3, 2007

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Village of New Holland
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Village of New Holland
Pickaway County, Ohio
10 East Front Street
New Holland, Ohio 43145

We have audited the accompanying financial statements of the Village of New Holland, Pickaway County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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.

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 for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 third following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Because of the inadequacies of the Mayors Court's accounting records, we were unable to form an opinion regarding the amounts recorded as fines and forfeitures receipts and distributions of fines and forfeitures disbursements as well as fund cash balances in the Mayors Court Agency Fund in the accompanying statements of cash receipts, cash disbursements, and changes in fund cash balances as of and for the years ended December 31, 2006 and 2005, respectively.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had fines and forfeitures receipts, distributions of fines and forfeitures disbursements, and fund cash balances of the agency fund type been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of the December 31, 2006 and 2005, and its combined cash receipts and disbursements for the 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 years ended December 31, 2006 and 2005. 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 August 31, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
August 31, 2007

Village of New Holland
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash
Balances - All Governmental Fund Types
For the Year Ended December 31, 2006*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$23,096	\$44,118	\$67,214
Intergovernmental	100,344	43,674	144,018
Charges for Services	0	1,480	1,480
Fines, Licenses and Permits	2,749	410	3,159
Earnings on Investments	4,577	339	4,916
Miscellaneous	3,410	227	3,637
Total Cash Receipts	134,176	90,248	224,424
Cash Disbursements:			
Security of Persons and Property	36,818	611	37,429
Public Health Service	1,473	16,501	17,974
Leisure Time Activities	0	8,880	8,880
Community Environment	275	0	275
Transportation	0	25,851	25,851
General Government	30,117	278	30,395
Capital Outlay	1,410	9,970	11,380
Debt Service:			
Principal Payments	2,386	0	2,386
Interest and Other Fiscal Charges	33	0	33
Total Cash Disbursements	72,512	62,091	134,603
Total Cash Receipts Over Cash Disbursements	61,664	28,157	89,821
Fund Cash Balances, January 1, 2006	50,752	66,724	117,476
Fund Cash Balances, December 31, 2006	\$112,416	\$94,881	\$207,297
Reserved for Encumbrances, December 31, 2006	\$2,112	\$779	\$2,891

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

Village of New Holland
*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances - Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2006*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$363,277	\$0	\$363,277
Total Operating Cash Receipts	<u>363,277</u>	<u>0</u>	<u>363,277</u>
Operating Cash Disbursements:			
Personal Services	55,072	0	55,072
Employee Fringe Benefits	7,773	0	7,773
Contractual Services	129,914	0	129,914
Supplies and Materials	28,271	0	28,271
Other	2,235	0	2,235
Capital Outlay	24,044	0	24,044
Total Operating Cash Disbursements	<u>247,309</u>	<u>0</u>	<u>247,309</u>
Operating Income	115,968	0	115,968
Non-Operating Cash Receipts/(Disbursements):			
Earnings on Investments	205	0	205
Intergovernmental	7,007	0	7,007
Fines and Forfeitures	0	3,097	3,097
Distributions of Fines and Forfeitures	0	(3,097)	(3,097)
Principal Payments	(25,069)	0	(25,069)
Interest and Other Fiscal Charges	(13,025)	0	(13,025)
Total Non-Operating Cash Receipts/(Disbursements):	<u>(30,882)</u>	<u>0</u>	<u>(30,882)</u>
Net Receipts Over Disbursements	85,086	0	85,086
Other Financing Sources/(Uses):			
Transfers In	19,200	0	19,200
Transfers Out	(19,200)	0	(19,200)
Proceeds from Debt	43,765	0	43,765
Total Other Financing Sources/(Uses)	<u>43,765</u>	<u>0</u>	<u>43,765</u>
Total Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	128,851	0	128,851
Fund Cash Balances, January 1, 2006	<u>313,273</u>	<u>93</u>	<u>313,366</u>
Fund Cash Balances, December 31, 2006	<u>\$442,124</u>	<u>\$93</u>	<u>\$442,217</u>
Reserved for Encumbrances, December 31, 2006	<u>\$32,006</u>	<u>\$0</u>	<u>\$32,006</u>

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

Village of New Holland
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash
Balances - All Governmental Fund Types
For the Year Ended December 31, 2005*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$20,907	\$47,291	\$68,198
Intergovernmental	74,929	34,525	109,454
Charges for Services	0	640	640
Fines, Licenses and Permits	2,969	233	3,202
Earnings on Investments	3,862	414	4,276
Miscellaneous	630	35	665
Total Cash Receipts	103,297	83,138	186,435
Cash Disbursements:			
Security of Persons and Property	35,688	1,111	36,799
Public Health Service	1,605	21,294	22,899
Leisure Time Activities	0	8,573	8,573
Community Environment	425	0	425
Transportation	0	61,095	61,095
General Government	25,152	190	25,342
Capital Outlay	0	8,951	8,951
Debt Service:			
Principal Payments	5,656	0	5,656
Interest and Other Fiscal Charges	259	0	259
Total Cash Disbursements	68,785	101,214	169,999
Total Cash Receipts Over/(Under) Cash Disbursements	34,512	(18,076)	16,436
Fund Cash Balances, January 1, 2005	16,240	84,800	101,040
Fund Cash Balances, December 31, 2005	\$50,752	\$66,724	\$117,476
Reserved for Encumbrances, December 31, 2005	\$2,053	\$1,783	\$3,836

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

Village of New Holland, Ohio
*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances - Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2005*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$338,047	\$0	\$338,047
Total Operating Cash Receipts	<u>338,047</u>	<u>0</u>	<u>338,047</u>
Operating Cash Disbursements:			
Personal Services	53,369	0	53,369
Employee Fringe Benefits	10,097	0	10,097
Contractual Services	89,996	0	89,996
Supplies and Materials	17,455	0	17,455
Other	2,063	0	2,063
Capital Outlay	60,844	0	60,844
Total Operating Cash Disbursements	<u>233,824</u>	<u>0</u>	<u>233,824</u>
Operating Income	104,223	0	104,223
Non-Operating Cash Receipts/(Disbursements):			
Earnings on Investments	26	0	26
Intergovernmental	20,116	0	20,116
Fines and Forfeitures	0	1,735	1,735
Distributions of Fines and Forfeitures	0	(1,735)	(1,735)
Proceeds from Debt	41,442	0	41,442
Principal Payments	(19,949)	0	(19,949)
Interest and Other Fiscal Charges	(31,660)	0	(31,660)
Total Non-Operating Cash Receipts/(Disbursements):	<u>9,975</u>	<u>0</u>	<u>9,975</u>
Net Receipts Over Disbursements	114,198	0	114,198
Other Financing Sources/(Uses):			
Transfers In	19,200	0	19,200
Transfers Out	(19,200)	0	(19,200)
Total Other Financing Sources/(Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Total Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	114,198	0	114,198
Fund Cash Balances, January 1, 2005	<u>199,075</u>	<u>93</u>	<u>199,168</u>
Fund Cash Balances, December 31, 2005	<u>\$313,273</u>	<u>\$93</u>	<u>\$313,366</u>
Reserved for Encumbrances, December 31, 2005	<u>\$15,068</u>	<u>\$0</u>	<u>\$15,068</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Holland, Pickaway 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 water and sewer utilities and police services. The Village contracts with the Pick-A-Fay Joint Fire District to provide 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 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 the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village 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.

Cemetery Fund – This fund receives levy monies for the maintenance of the cemetery.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 and 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 Funds (Agency Funds)

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

Mayor's Court Fund – This fund is used to account for the resources provided from fines assessed in the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not to be re-appropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

Village of New Holland
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. They can request a sick leave payment to the limit set by Village Ordinance upon retirement. 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:

	2006	2005
Demand deposits	\$594,001	\$375,329
Certificate of deposit	55,513	55,513
Total deposits	\$649,514	\$430,842

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) are uninsured and uncollateralized.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

	<u>2006 Budgeted vs. Actual Receipts</u>		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$71,580	\$134,176	\$62,596
Special Revenue	77,626	90,248	12,622
Enterprise	459,170	433,454	(25,716)
Total	\$608,376	\$657,878	\$49,502

	<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$87,053	\$74,624	\$12,429
Special Revenue	115,910	62,870	53,040
Enterprise	419,568	336,609	82,959
Total	\$622,531	\$474,103	\$148,428

Village of New Holland
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

3. BUDGETARY ACTIVITY (Continued)

Fund Type	<u>2005 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$99,824	\$103,297	\$3,473
Special Revenue	76,417	83,138	6,721
Enterprise	349,442	418,831	69,389
Total	\$525,683	\$605,266	\$79,583

Fund Type	<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$95,817	\$70,838	\$24,979
Special Revenue	136,969	102,997	33,972
Enterprise	343,144	319,701	23,443
Total	\$575,930	\$493,536	\$82,394

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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, 2006 was as follows:

	Principal	Interest Rate
Farmer's Home Administration (Revenue Bonds) - Water	\$290,569	5.25%
Farmer's Home Administration (Revenue Bonds) - Sewer	290,996	5.00%
Ohio Water Development Authority Loan - 4103	22,500	0.00%
Ohio Water Development Authority Loan - 4476	43,765	0.00%
Ohio Public Works Commission Loan - CQ13G	24,459	0.00%
Total	\$672,289	

The Farmer's Home Administration Revenue Bonds were initiated for the construction of the water and waste water treatment plants in 1982 and 1994, respectively. These revenue bonds are direct obligations of the Village for which its full faith, credit and resources are pledged and are payable from user charges.

Village of New Holland
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

5. DEBT (Continued)

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

	<u>FHA Water</u>	<u>FHA Sewer</u>
At December 31,		
2007	\$20,356	\$31,550
2008	20,389	30,700
2009	20,305	30,850
2010	20,411	30,950
2011	20,396	31,000
Subsequent	<u>448,282</u>	<u>246,800</u>
Total	<u>\$550,139</u>	<u>\$401,850</u>

The Revenue Bonds are collateralized by the Village's taxing authority.

The Ohio Water Development Authority (OWDA) loan 4103 relates to the purchase of a water generator. The OWDA loaned \$25,000 to the Village for this project. The Village drew down \$15,000 during 2005, the final draw down for this loan. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 4476 relates to the wastewater treatment plant design costs. The OWDA has approved up to \$50,000 for the Village for this project. The Village drew down \$41,892 and incurred capitalized interest costs of \$1,873 during 2006. The loan was not completely drawn down by December 31, 2006 and therefore the schedule of future payments is not reflected in the schedule below. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt is scheduled as follows:

	<u>OWDA 4103</u>
At December 31,	
2007	\$2,500
2008	2,500
2009	2,500
2010	2,500
2011	2,500
Subsequent	<u>10,000</u>
Total	<u>\$22,500</u>

The Ohio Public Works Commission (OPWC) loan CQ13G relates to the sanitary sewer rehabilitation project. The Village received \$26,442 for this project in 2005. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of New Holland
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

5. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

	<u>OPWC</u> <u>CQ13G</u>
At December 31,	
2007	\$1,322
2008	1,322
2009	1,322
2010	1,322
2011	1,322
Subsequent	<u>17,849</u>
Total	<u><u>\$24,459</u></u>

6. CAPITALIZED LEASES

During fiscal year ending 2001, the Village entered into a capitalized lease for a police vehicle. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of future minimum lease payments as of the inception date. The Village paid off this lease during 2006.

7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2006 and 2005, OPERS participants contributed 9.0% and 8.5% of their wages, respectively. The Village contributed amounts equal to 13.70% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Boiler and machinery.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The Village has not incurred significant reductions in insurance coverage from the prior year by category.

9. RELATED ORGANIZATIONS

Pick-A-Fay Joint Fire District:

Perry Township, Pickaway County; Marion Township, Fayette County; and the Village of New Holland, Pickaway County created by agreement a separate legal entity to provide fire protection and for other purposes designated in Ohio Revised Code Sections 505.37 through 505.44 to its residents by the creation of the Pick-A-Fay Joint Fire District in July of 2001.

The Pick-A-Fay Joint Fire District Board is comprised of one representative from each participating subdivision, which includes former members of the New Holland Joint Fire District Board, with each member having an ongoing financial interest and responsibility proportionate to their interest in the District. One appointed representative of each of the three member governments serves on the Pick-A-Fay Joint Fire District Board, each of which has an equal vote on the District Board. The Board appoints a clerk to maintain all financial recordkeeping. All fire fighting equipment, apparatus, appliances, materials, and fire hydrants purchased by the members and the former New Holland Joint Fire Board were transferred to the new District. All members of the District are required to contribute an equal one third share to the District Board until the Pick - A - Fay District Board can insure passage of an appropriate fire tax levy on all taxable property within the District.

New Holland Union Cemetery:

The Village jointly governs with Perry Township, Pickaway County, the New Holland Union Cemetery (the Cemetery). The Cemetery Board is comprised of the Village of New Holland Council, the Perry Township Trustees, and the New Holland Clerk/Treasurer. There is no apparent equity interest held by either party in the Cemetery. The Cemetery's financial statements can be obtained by submitting a request to P.O. Box 55, New Holland, Ohio 43145.

10. RELATED PARTY TRANSACTIONS

The Village had related party transactions with the New Holland Union Cemetery amounting to \$9,925 and \$19,000 for 2006 and 2005, respectively.

11. SUBSEQUENT EVENTS

In 2007, the Village retired its debt obligations held with OWDA. To see more information regarding this debt, see Note 5.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village of New Holland
Pickaway County, Ohio
10 East Front Street
New Holland, Ohio 43145

We have audited the financial statements of the Village of New Holland, Pickaway County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 31, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, and that we were unable to satisfy ourselves as to the completeness of fines and forfeitures receipts, distributions of fines and forfeitures disbursements, and fund cash balances of the fiduciary fund type as of and for the years ended December 31, 2006 and 2005. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting basis described in Note 1 such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. These significant deficiencies are identified in the accompanying schedule of findings and responses as items 2006-1 and 2006-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated August 31, 2007.

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

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.



Balestra, Harr & Scherer, CPAs, Inc.

August 31, 2007

Village of New Holland
Schedule of Findings and Responses
For the Years Ended December 31, 2006 and 2005

Finding 2006-1

Material Weakness - Monitoring of Financial Activity

The Village had instances in which transactions were not posted to correct line items or not recorded in the Village's financial records. The accompanying financial statements have been adjusted to properly reflect the following:

- Debt and lease payments were not properly classified among principal and interest.
- Unrecorded loan and grant proceeds were identified.
- Beginning fund cash balances per the books did not agree to audited figures.
- Mayor's court figures were not recorded in the UAN system.

The aforementioned errors were the result of a lack of controls over the financial reporting. Inaccurate or incomplete posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. The Clerk should attend training on the Uniform Accounting Network and the Auditor of State basis of accounting that is followed by the Village. The Clerk should follow the Uniform Accounting Network manual when posting all transactions. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Clerk and Council to ensure that errors and omissions are timely identified.

Client Response:

This will be discussed with the clerk.

Finding 2006-2

Material Weakness – Mayor's Court Documentation

The following mayor's court records could not be located or were incomplete:

- Bank statements and related reconciliations.
- A fine schedule in effect during the audit period.
- Monthly mayor's court reports submitted to Council.
- Disbursements.

The Village's records were unorganized and they lacked formal controls on records retention procedures. We were unable to adequately assure that receipts and disbursements and ending cash balances were properly recorded. The Village should implement formal procedures for records retention to ensure that records are adequately maintained and preserved.

Client Response:

This will be discussed with the mayor's court clerk.



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW HOLLAND

PICKAWAY 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
OCTOBER 16, 2007