

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
REGULAR AUDIT
For the Years Ended December 31, 2008 and 2007



Mary Taylor, CPA

Auditor of State

Village Council
Village of Stoutsville
5580 Hamburg Raod SW
Amanda, Ohio 43102

We have reviewed the *Independent Auditors' Report* of the Village of Stoutsville, Fairfield County, prepared by Jones, Cochenour & Co., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 28, 2010

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VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY

TABLE OF CONTENTS

Pages

Independent Auditors' Report 1-2

**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Cash Balances – All Governmental Fund Types –
For the Year Ended December 31, 2008..... 3**

**Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Cash Balances – Proprietary Fund Types –
For the Year Ended December 31, 2008..... 4**

**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Cash Balances – All Governmental Fund Types –
For the Year Ended December 31, 2007..... 5**

**Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Cash Balances – Proprietary Fund Types –
For the Year Ended December 31, 2007..... 6**

Notes to Financial Statements 7 – 11

Schedule of Federal Expenditures..... 12

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards* 13 – 14**

**Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control over Compliance
In Accordance with *OMB Circular A-133* 15 – 16**

Schedule of Findings 17 -20

Schedule of Prior Audit Findings 21



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INDEPENDENT AUDITORS' REPORT

Village of Stoutsville
Fairfield County
5580 Hamburg Road
Amanda, Ohio 43102

We have audited the accompanying financial statements of Village of Stoutsville, Fairfield County, Ohio (the "Village") as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express our 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 obtain reasonable assurance 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.

Because of inadequacies in the Village's accounting records, we were unable to determine the completeness of the Special Assessment receipts for 2008 and 2007 in the accompanying financial statements, nor were we able to satisfy ourselves to those financial activities by other auditing procedures.

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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume that the effects are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (ie. major) funds separately for 2008 and 2007. 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.

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Village of Stoutsville
Fairfield County
Independent Auditor's Report
Page 2

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows of its proprietary fund or reserve for encumbrances for the years 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 2008 and 2007 been susceptible to satisfactory audit test, 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, 2008 and 2007, and its combined cash 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 years ended December 31, 2008 and 2007. 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 26, 2010, 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the financial statements of the Village of Stoutsville. The accompanying Schedule of Federal Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Jones, Cochenour & Co.
March 26, 2010

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 Year Ended December 31, 2008**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property tax and other local tax	\$ 22,674	\$ 8,014	\$ 30,688
Intergovernmental Receipts	15,321	34,141	49,462
Fines, Licenses, and Permits	1,825	-	1,825
Earnings on investments	1,955	1,190	3,145
Miscellaneous	4,771	-	4,771
Total Cash Receipts	<u>46,546</u>	<u>43,345</u>	<u>89,891</u>
Cash Disbursements:			
Security of persons and property	3,684	18,190	21,874
Public health services	1,662	-	1,662
Transportation	-	8,409	8,409
General government	31,463	96	31,559
Total Cash Disbursements	<u>36,809</u>	<u>26,695</u>	<u>63,504</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>9,737</u>	<u>16,650</u>	<u>26,387</u>
Fund Cash Balances, January 1	<u>72,367</u>	<u>105,752</u>	<u>178,119</u>
Fund Cash Balances, December 31	<u>\$ 82,104</u>	<u>\$ 122,402</u>	<u>\$ 204,506</u>
Reserves for Encumbrances, December 31	<u>\$ 14,572</u>	<u>\$ -</u>	<u>\$ 14,572</u>

See notes to financial statements

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPES
 Year Ended December 31, 2008**

	Fund Type
	Enterprise
Operating Cash Receipts:	
Special Assessments	\$ 1,337
Charges for services	140,958
Total Operating Cash Receipts	142,295
Operating Cash Disbursements	(79,274)
Net Operating income	63,021
Non-operating Receipts and Disbursements:	
Intergovernmental receipts	1,794,694
Capital outlay	(729)
Principal payment	(1,755,133)
Interest expense	(63,832)
Total Non-operating Receipts and Disbursements	(25,000)
Net Receipts Over/(Under) Cash Disbursements	38,021
Fund Cash Balances, January 1	10,589
Fund Cash Balances, December 31	\$ 48,610

See notes to financial statements

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
Year Ended December 31, 2007

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property tax and other local tax	\$ 22,105	\$ 8,334	\$ -	\$ 30,439
Intergovernmental Receipts	15,829	31,585	-	47,414
Fines, Licenses, and Permits	1,956	-	-	1,956
Earnings on investments	3,009	1,740	-	4,749
Miscellaneous	863	-	-	863
Total Cash Receipts	<u>43,762</u>	<u>41,659</u>	<u>-</u>	<u>85,421</u>
Cash Disbursements:				
Security of persons and property	3,800	3,700	-	7,500
Public health services	1,635	-	-	1,635
Transportation	-	35,438	-	35,438
General government	-	102	18	120
Capital outlay	40,037	-	-	40,037
Total Cash Disbursements	<u>45,472</u>	<u>39,240</u>	<u>18</u>	<u>84,730</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,710)</u>	<u>2,419</u>	<u>(18)</u>	<u>691</u>
Fund Cash Balances, January 1	<u>74,077</u>	<u>103,333</u>	<u>18</u>	<u>177,428</u>
Fund Cash Balances, December 31	<u>\$ 72,367</u>	<u>\$ 105,752</u>	<u>\$ -</u>	<u>\$ 178,119</u>
Reserves for Encumbrances, December 31	<u>\$ 572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572</u>

See notes to financial statements

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPES
 Year Ended December 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Special Assessments	\$ 10,237
Charges for services	36,781
Total Operating Cash Receipts	47,018
Operating Cash Disbursements	(91,059)
Net Operating Loss	(44,041)
Non-operating Receipts and Disbursements:	
Intergovernmental receipts	805,874
Capital outlay	(692,094)
Principal payment	(49,836)
Interest expense	(63,944)
Total Non-operating Receipts and Disbursements	-
Net Receipts Over/(Under) Cash Disbursements	(44,041)
Fund Cash Balances, January 1	54,630
Fund Cash Balances, December 31	\$ 10,589

See notes to financial statements

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 Clearcreek Township to receive fire protection services.

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

Basis of Accounting

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

These statements include adequate disclosure of material matters the Auditor of State prescribes.

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:

a. General Fund

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

b. Special Revenue Fund

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

c. 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 Capital Project fund:

Storm Sewer Fund– This fund received from various funding sources were utilized to construct a storm sewer system.

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Fund Accounting-Continued

d. 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 and intergovernmental agencies to cover the cost of constructing a sanitary sewer system.

Budgetary Process

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

a. Appropriations

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

b. 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.

c. Encumbrances

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

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

Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 253,116	\$ 188,708

Deposits : Deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 per bank. The village exceeded the FDIC by \$153,116 and \$88,708 for the years ended December 31, 2008 and 2007, respectively. These balances were insured by pooled collateral provided by the bank.

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Resources			
Fund Type	Budgeted Resources	Actual Resources	Variance
General	\$ 111,311	\$ 118,341	\$ 7,030
Special Revenue	137,052	149,097	12,045
Enterprise	2,315,260	1,947,578	(367,682)
Total	\$ 2,563,623	\$ 2,215,016	\$ (348,607)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Budgetary Expenditures	Variance
General	\$ 77,250	\$ 51,381	\$ 25,869
Special Revenue	87,200	26,695	60,505
Enterprise	2,046,454	1,898,968	147,486
Total	\$ 2,210,904	\$ 1,977,044	\$ 233,860

2007 Budgeted vs. Actual Resources			
Fund Type	Budgeted Resources	Actual Resources	Variance
General	\$ 117,008	\$ 117,267	\$ 259
Special Revenue	127,033	144,992	17,959
Capital Projects	18	18	-
Enterprise	1,798,981	907,522	(891,459)
Total	\$ 2,043,040	\$ 1,169,799	\$ (873,241)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Budgetary Expenditures	Variance
General	\$ 65,945	\$ 46,044	\$ 19,901
Special Revenue	66,400	39,240	27,160
Capital Projects	1,945	18	1,927
Enterprise	1,563,806	896,933	666,873
Total	\$ 1,698,096	\$ 982,235	\$ 715,861

The Village's appropriations exceeded actual resources for the Enterprise Fund for 2008 in the amount of \$98,879. For 2007, the Enterprise and Capital Projects Funds exceeded by \$656,284 and \$1,927, respectively.

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007

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 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.

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.

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 2008 and 2007, OPERS members contributed 9.0 and 8.5 percent of their wages. The Village contributed an amount equal to 13.70 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

6. RISK MANAGEMENT

The Village belongs to Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), and 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, 2008 and 2007:

	2008	2007
Assets	\$ 2,552,519	\$ 2,405,834
Liabilities	(2,814,306)	(2,877,385)
Accumulated deficit	\$ (261,787)	\$ (471,551)

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007

7. DEBT/GRANTS VILLAGE OF STOUTSVILLE

The following are the debt/grant activities for the Village of Stoutsville for the new waste water treatment and collection:

<u>OWDA Number</u>	<u>12/31/2006</u>	<u>Grants</u>	<u>New</u>	<u>Interest/ Fees</u>	<u>Rolled out</u>	<u>12/31/2007</u>
4500	\$ 1,253,481	\$ -	\$ 397,983	\$ 63,944	\$ (49,836)	\$ 1,665,572
OPWC-29H	250,000	(250,000)	-	-	-	-
OPWC-30H	205,889	-	294,111	-	-	500,000
ODOD	600,000	(600,000)	-	-	-	-
OPWC-31H	-	-	49,836	-	-	49,836
Totals	<u>\$ 2,309,370</u>	<u>\$ (850,000)</u>	<u>\$ 741,930</u>	<u>\$ 63,944</u>	<u>\$ (49,836)</u>	<u>\$ 2,215,408</u>

<u>OWDA Number</u>	<u>12/31/2007</u>	<u>Grants</u>	<u>New</u>	<u>Interest/ Fees</u>	<u>Rolled out</u>	<u>12/31/2008</u>
4500	\$ 1,665,572	\$ -	\$ 729	\$ 63,832	\$ (1,730,133)	\$ -
OPWC-30H	500,000	-	-	-	(25,000)	475,000
OPWC-31H	49,836	-	35,164	-	-	85,000
OPWC-12C	-	-	38,305	-	-	38,305
USDA	-	-	1,656,664	-	-	1,656,664
Totals	<u>\$ 2,215,408</u>	<u>\$ -</u>	<u>\$ 1,730,862</u>	<u>\$ 63,832</u>	<u>\$ (1,755,133)</u>	<u>\$ 2,254,969</u>

The loans with no denoted original date were not finalized or complete projects.

Subsequent to the year end the loans were paid off by Earnhart Hill Water & Sewer District they assumed ownership and operations of the sewer system.

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
 SCHEDULE OF FEDERAL EXPENDITURES
 Year Ended December 31, 2008 and 2007**

	<u>FEDERAL CFDA NUMBER</u>	<u>LOAN BALANCE 12/31/2007</u>	<u>LOAN BALANCE 12/31/2008</u>
USDA Rural Development Water and Waste Disposal Loan/Grant	10.760	<u>\$ 1,715,408</u>	<u>\$ 1,779,969</u>
Total - All Programs		<u><u>\$ 1,715,408</u></u>	<u><u>\$ 1,779,969</u></u>



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**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 Stoutsville
Fairfield County
5580 Hamburg Road
Amanda, Ohio 43102

We have audited the financial statements of Village of Stoutsville, Fairfield County as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated March 26, 2010. Because of inadequacies in the Village's accounting records, we were unable to determine the completeness of the Special Assessment receipts for 2008 and 2007 in the accompanying financial statements, nor were we able to satisfy ourselves to those financial activities by other auditing procedures. Except for that item 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 Village of Stoutsville, Fairfield County'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 Village of Stoutsville, Fairfield County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the auditor of state prescribes or permits, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, noted as 2008-4140-001 and 2006-4140-004 in the Schedule of Findings.

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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 entity's internal control.

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 or material weaknesses. The findings denoted above are also considered material weaknesses.

We noted a certain matter that we reported to the Village in a separate letter dated March 26, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Stoutsville, Fairfield County'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 instances of noncompliance that are required to be reported under *Government Auditing Standards*. These are denoted as 2008-4140-002 and 2008-4140-003 in the Schedule of Findings.

We also noted a certain noncompliance matter not requiring inclusion in the report that we reported to the Village in a separate letter dated March 26, 2010.

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

This report is intended solely for the information of the Village Council, management, State Auditor's Office, federal awarding agencies. It is not intended to be and should not be used by anyone other than these specified parties.



Jones, Cochenour & Co.
March 26, 2010



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Stoutsville
Fairfield County
5580 Hamburg Road
Amanda, Ohio 43102

Compliance

We have audited the compliance of Village of Stoutsville, Fairfield County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal programs for the years ended December 31, 2008 and 2007. Village of Stoutsville, Fairfield County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Village of Stoutsville, Fairfield County's management. Our responsibility is to express an opinion on Village of Stoutsville, Fairfield County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Stoutsville, Fairfield County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of Stoutsville, Fairfield County's compliance with those requirements.

In our opinion, Village of Stoutsville, Fairfield County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2008-4140-005.

much more than an accounting firm

Internal Control Over Compliance

The management of Village of Stoutsville, Fairfield County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Village of Stoutsville, Fairfield County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Village of Stoutsville, Fairfield County's internal control over compliance

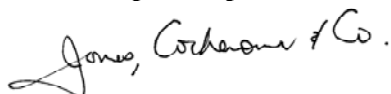
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify deficiencies in internal control over compliance that we consider a material weakness as defined above.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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 the board of directors, management, Auditor of State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jones, Cochenour & Co.
March 26, 2010

Schedule of Findings
OMB Circular A-133 § .505
Village of Stoutsville
Years Ended December 31, 2008 and 2007

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Qualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
Were there any material internal control weakness conditions reported for major federal programs?	Yes
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	USDA Rural Development Loan CFDA# 10.760
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	No

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
December 31, 2008 and 2007**

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding Number	2008-4140-001
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TIMELY DEPOSITING OF RECEIPTS – SIGNIFICANT DEFICIENCY – MATERIAL WEAKNESS

The Clerk-Treasurer held many Village receipts before depositing them with the Village's financial institution and recording them in Village's accounting records.

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 depositing 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.

AUDITEE RESPONSE:

The Clerk-Treasurer will strive to make more timely deposits, the location of the bank and the location of the office at times causes delays in the deposits.

Finding Number	2008-4140-002
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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 system of storm or sanitary sewerage for the municipal corporation or any part thereof, including sewage disposal works, treatment plants, and sewage pumping stations, or a water supply system for the municipal corporation or any part thereof including mains, dams, reservoirs, wells, intakes, purification works, and pumping stations, and that any such improvement shall be constructed, enlarged, or improved, may levy upon property to be benefited in the municipal corporation or any designated part thereof, which property shall be described in the ordinance, a preliminary assessment upon the benefited lots and lands within the corporation or such part thereof, apportioned according to benefits or to tax valuation or partly by one method and partly by the other, as the legislative authority determines 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 improvements.

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 count auditor for collection as other taxes in the year or years in which they are payable.

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.

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
December 31, 2008 and 2007**

Finding Number	2008-4140-002 - Continued
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SPECIAL ASSESSMENTS – PLANNING FEES

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 2005 and when the new clerk took over in 2006 it was difficult 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.

AUDITEE RESPONSE:

The Clerk-Treasurer has put forth an effort to try to account for the assessments and determine who has been billed and not billed. She continues to work on the issue.

Finding Number	2008-4140-003
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AMENDED CERTIFICATES

Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources.

The Villages appropriations exceeded actual resources as follows:

<u>2008</u>	<u>Appropriations</u>	<u>Actual Resources</u>	<u>Variance</u>
Enterprise	\$ 2,046,454	\$ 1,947,578	\$ (98,876)
<u>2007</u>			
Enterprise	\$ 1,563,806	\$ 907,522	\$ (656,284)
Capital Projects	\$ 1,945	\$ 18	\$ (1,927)

We recommend that the Village increase or decrease the certificates based upon the actual resources as well as comparing this to the appropriations.

AUDITEE RESPONSE:

The Clerk-Treasurer has received training and will monitor this in the future.

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
December 31, 2008 and 2007**

Finding Number	2008-4140-004
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GENERAL LEDGER POSTINGS – SIGNIFICANT DEFICIENCY- MATERIAL WEAKNESS

The loan activity for the intergovernmental receipts was not posted correctly and did not agree with the records from the funding sources for both years. This could have caused the statements to be misleading to any users of the financial statements. The financial statements issued were corrected to agree to the confirmed balances for all the loan balances.

We recommend that the Clerk-Treasurer assure that all loan activity is posted to the correct accounts in the future and to compare the ending balances to the funding sources records.

AUDITEE RESPONSE:

The Clerk-Treasurer will monitor more closely in the future.

SECTION III – FINDINGS RELATED TO FEDERAL AWARDS

Finding Number	2008-4140-005
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NONCOMPLIANCE – DATA COLLECTION FORM LATE SUBMISSION

OMB Circular A-133 Section 300(e) provides that the auditee is responsible for appropriate submission of the audit reports to the appropriate government officials and organizations. OMB Circular A-133 Section 320(a) further provides that the audit report and data collection form must be submitted within the earlier of 30 days after the reports are received from the auditors, or nine months after the end of the audit period, unless a longer period is agreed upon in advance by the cognizant or oversight agency.

No evidence was provided that the Village had notified the cognizant or oversight agency when it became apparent that an audit report and data collection form would not be available within the prescribed reporting time.

We recommend the Village monitor the Reporting requirements to ensure proper submission of audit report filings or notification to the oversight agency.

AUDITEE RESPONSE:

The loans were paid off in 2009, therefore, at this time no future Single Audits will be required.

**VILLAGE OF STOUTSVILLE
FAIRFIELD COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid ; Explain:
2004-001	Failure to complete accurate bank reconciliations in a timely manner	Yes	N/A
2004-003 2006-4140-002	Depositing funds with financial institution in timely manner and safeguarding against theft	No	Re-issued as Finding 2008-4140-001
2004-004 2006-4140-003	ORC Section 729.11 and 733.28 failure to maintain ordinance and record taxes and assessments	No	Re-issued as Finding 2008-4140-002
2004-005 2006-4140-004	Failure to maintain necessary accounting records	Yes	N/A
2004-006 2006-4140-007	ORC Section 5705.39- Appropriations exceeded revenues	No	Re-issued as Finding 2008-4140-003
2004-007 2006-4140-005	ORC Section 5705.41(B) – Appropriating Funds prior to expenditure	Yes	N/A
2004-009 2006-4140-006	ORC Section 5705.41(D)- Failure to certify funds prior to expending	Yes	N/A



Mary Taylor, CPA
Auditor of State

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
JUNE 17, 2010**