

VILLAGE OF NEW ATHENS

HARRISON COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2010 & 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Members of Council
Village of New Athens
162 South Main Street
New Athens, Ohio 43981

We have reviewed the *Report of Independent Accountants* of the Village of New Athens, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Athens is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 19, 2011

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VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2010 & 2009

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Athens
Harrison County
162 South Main Street
P.O. Box 126
New Athens, Ohio 43981

To the Village Council:

We have audited the accompanying financial statements of the Village of New Athens (Village), Harrison County, Ohio as and for the years ended December 31, 2010 & 2009. 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

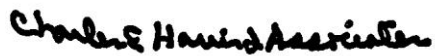
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 & 2009. Instead of the combined funds the accompanying financial statements present for 2010 & 2009, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2010 & 2009. While the Village does not follow GAAP, generally accepted auditing standards require 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 the Village does not use GAAP to measure its 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 matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 & 2009, 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, 2010 & 2009, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of New Athens, Harrison County as of December 31, 2010 & 2009, 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, 2010 & 2009. 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 June 30, 2011, 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, 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 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.



Charles E. Harris & Associates, Inc.
June 30, 2011

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2010

	Governmental Fund Types			(Memorandum Only) Total
	General	Special Revenue	Capital Projects	
RECEIPTS:				
Property and Local Taxes	\$ 18,201	\$ 5,775	-	\$ 23,976
Intergovernmental	20,049	21,667	-	41,716
Fines, Licenses and Permits	695	-	-	695
Earnings on Investments	50	50	-	100
Total Cash Receipts	38,995	27,492	-	66,487
DISBURSEMENTS:				
Security of Persons and Property	22,315	4,671	-	26,986
Public Health Services	5,700	-	-	5,700
Transportation	-	29,711	-	29,711
General Government	22,458	188	-	22,646
Capital Outlay	-	-	\$ 101,119	101,119
Total Cash Disbursements	50,473	34,570	101,119	186,162
Cash Receipts Over/(Under) Cash Disbursements	(11,478)	(7,078)	(101,119)	(119,675)
Other Financing Sources:				
Proceeds of OWDA loan	-	-	151,554	151,554
Total Other Financing Sources	-	-	151,554	151,554
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(11,478)	(7,078)	50,435	31,879
Fund Cash Balance, January 1, 2010	15,225	44,207	-	59,432
Fund Cash Balance, December 31, 2010	\$ 3,747	\$ 37,129	\$ 50,435	\$ 91,311
Reserves for Encumbrances, December 31, 2010	\$ 4,619	\$ 2,391	\$ -	\$ 7,010

See Accompanying Notes to the Financial Statements

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2010

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$ <u>108,435</u>
Total Operating Cash Receipts	108,435
 OPERATING CASH DISBURSEMENTS	
Personal Services	10,167
Employee Fringe Benefits	1,377
Contractual Services	62,615
Materials and Supplies	2,543
Other Operating Disbursements	28
Total Operating Cash Disbursements	76,730
Operating Income (Loss)	31,705
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Intergovernmental	106
Debt Service:	
Retirement of Principal	(9,567)
Total Non Operating Cash Receipts (Disbursements)	(9,461)
 Excess of Cash Receipts Over/(Under) Cash Disbursements	 22,244
Fund Cash Balance, January 1, 2010	29,894
Fund Cash Balance, December 31, 2010	\$ 52,138
Reserves for Encumbrances, December 31, 2010	\$ 3,899

See Accompanying Notes to the Financial Statements

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2009

	Governmental Fund Types		(Memorandum
	General	Special Revenue	Only) Total
RECEIPTS:			
Property and Local Taxes	\$ 20,159	\$ 5,584	\$ 25,743
Intergovernmental	19,910	18,489	38,399
Fines, Licenses and Permits	115	-	115
Earnings on Investments	45	45	90
	40,229	24,118	64,347
Total Cash Receipts	40,229	24,118	64,347
DISBURSEMENTS:			
Security of Persons and Property	20,986	6,004	26,990
Public Health Services	44	-	44
Transportation	-	10,723	10,723
General Government	23,921	2,292	26,213
	44,951	19,019	63,970
Total Cash Disbursements	44,951	19,019	63,970
Cash Receipts Over/(Under) Cash Disbursements	(4,722)	5,099	377
Fund Cash Balance, January 1, 2009	19,947	39,108	59,055
Fund Cash Balance, December 31, 2009	\$ 15,225	\$ 44,207	\$ 59,432
Reserves for Encumbrances, December 31, 2009	\$ 3,665	\$ 1,483	\$ 5,148

See Accompanying Notes to the Financial Statements

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2009

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 112,347
Total Operating Cash Receipts	112,347
 OPERATING CASH DISBURSEMENTS	
Personal Services	19,206
Employee Fringe Benefits	4,893
Contractual Services	72,164
Materials and Supplies	4,620
Total Operating Cash Disbursements	100,883
Operating Income (Loss)	11,464
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Intergovernmental	14
Debt Service:	
Retirement of Principal	(14,350)
Total Non Operating Cash Receipts (Disbursements)	(14,336)
 Excess of Cash Receipts Over/(Under) Cash Disbursements	 (2,872)
Fund Cash Balance, January 1, 2009	32,766
Fund Cash Balance, December 31, 2009	\$ 29,894
Reserves for Encumbrances, December 31, 2009	\$ 3,043

See Accompanying Notes to the Financial Statements

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of New Athens, (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 Village Council. The Village provides general governmental services including water utilities, street repair and maintenance and police protection. The Village contracts with the New Athens Volunteer Fire Department for 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 a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

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

C. **CASH AND INVESTMENTS**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investments purchases or receipts for investments sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

D. **FUND ACCOUNTING**

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

1. **General Fund**

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

2. **Special Revenue Funds**

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

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

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

3. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

Construction Fund- This fund receives revenue for the construction of the waste water-sewer project.

4. **Enterprise Funds**

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

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

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

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

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 to the subsequent year.

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$ 143,449	\$ 89,326

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) collateralized by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 & 2009 is as follows:

<u>Fund Type</u>	<u>2010 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 75,000	\$ 38,995	\$ (36,005)
Special Revenue	35,000	27,492	(7,508)
Capital Projects	-	151,554	151,554
Enterprise	165,000	108,541	(56,459)

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009

3. **BUDGETARY ACTIVITY** - (continued)

<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>				
<u>Fund Type</u>	<u>Total</u>	<u>Total</u>		
	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>	
General	\$ 81,460	\$ 55,092	\$	26,368
Special Revenue	64,788	36,961		27,826
Capital Projects	101,119	101,119		-
Enterprise	116,066	90,196		25,870

<u>2009 Budgeted vs. Actual Receipts</u>				
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>		
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>	
General	\$ 65,000	\$ 40,229	\$	(24,771)
Special Revenue	25,000	24,118		(882)
Enterprise	135,000	112,361		(22,639)

<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>				
<u>Fund Type</u>	<u>Total</u>	<u>Total</u>		
	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>	
General	\$ 61,747	\$ 48,616	\$	13,131
Special Revenue	32,422	20,502		11,920
Enterprise	135,453	118,276		17,177

4. **PROPERTY TAXES**

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30. Tangible personal property taxes are being phased out through 2009.

The Harrison County Auditor is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009**

5. RETIREMENT SYSTEM

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2010, OPERS members contributed 10% of their wages and the Village contributed an amount equal to 14% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2010 and 2009.

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan # CN809	\$ 19,687	0%
OPWC Loan # CN26A	18,540	0%
OPWC Loan # CN27C	35,929	0%
OWDA Loan # 5310	<u>151,554</u>	0%
TOTAL	<u>\$225,710</u>	

The Village of New Athens entered into an agreement with L & M Electronics for the takeover of its loan from Wesbanco Bank. The loan, which was obtained for the installation of a wireless internet service in the Village, had a balance of \$9,970 as of December 31, 2008 and was taken off the Village's books during the period. L & M Electronics took over the management and installation of the internet service, including the collection of fees from customers and the payment of the remaining loan balance.

The Ohio Public Works Commission (OPWC) Loan #CN809 relates to a water line construction project. The original loan amount was \$87,499 and was issued in 1995 for 20 years to be paid on a semi-annual basis.

The Ohio Public Works Commission (OPWC) Loan #CN26A relates to the construction of a wastewater treatment plant. The original loan amount was \$46,350 and was issued on July 1, 1997 for 20 years to be paid on a semi-annual basis.

The Ohio Public Works Commission (OPWC) Loan #CN27C relates to the Culbertson Drive water line replacement project. The original loan amount was \$64,725 and was issued in 2000 for 20 years to be paid on a semi-annual basis.

The OWDA loan is a Waste Water Treatment Plan Project estimated to cost \$3.2 million. As of December 31, 2010, \$151,554 was received in loan proceeds and \$101,119 was disbursed as part of the engineers' professional fees for planning and design. In 2011, the Village applied for project financing-principal forgiveness from the Water Pollution Control Loan Fund (WPCLF) and is in the process of approval of receiving a 75% principal forgiveness financing. No amortization schedule is available.

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009

6. **DEBT** - (continued)

The above loans are collateralized by the Village's future water receipts and by the Village's taxing authority.

Amortization of the above debt, excluding the OWDA loan, is scheduled as follows:

<u>Year Ending December 31</u>	<u>OPWC Loan# CN809</u>	<u>OPWC Loan# CN26A</u>	<u>OPWC Loan# CN27C</u>
2011	\$ 4,375	\$ 2,318	\$ 2,874
2012	4,375	2,318	2,874
2013	4,375	2,318	2,874
2014	4,375	2,318	2,874
2015	2,187	2,318	2,874
2016-2020	-	6,950	14,370
2021-2023	-	-	7,189
TOTAL	\$ 19,687	\$ 18,540	\$ 35,929

7. **RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

8. **CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

9. **LEGAL COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.39, total appropriations exceeded total estimated resources. Contrary to Ohio Revised Code Section 5705.36, Village did not amend certificates of estimated resources.

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

Village of New Athens
Harrison County
162 South Main Street
P.O. Box 126
New Athens, Ohio 43981

To the Village Council:

We have audited the financial statements of the Village of New Athens, Harrison County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 30, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-NAHC-01 and 04 described in the accompanying schedule of findings to be material weaknesses.

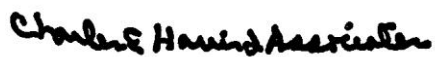
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-NAHC-01, 02, 03 and 04.

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.

We also noted certain matters that we reported to management of the Village in a separate letter dated June 30, 2011.

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



Charles E. Harris and Associates, Inc.

June 30, 2011

**VILLAGE OF NEW ATHENS
HARRISON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 & 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-NAHC-01 Noncompliance and Material Weakness

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officers' Handbook and the UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2010, the Village obtained a loan from OWDA for a waste water-sewer construction project. The Village did not record the proceeds of loan and the capital outlay on the project in its books. During 2009 and 2010, it recorded the payments of its OPWC loans as dues and fees, instead of debt service.

We recommend that the Village record all loan proceeds and debt service payments in the appropriate revenue and expenditure line items. The financial statements have been adjusted to reflect the proper presentation.

Management Response:

The Fiscal Officer agrees and will make the proper recording of loan proceeds and debt service payments in the correct accounts.

FINDING NUMBER 2010-NAHC-02 Non-Compliance

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In 2010 and 2009, the Village actual receipts were lower than its estimated receipts, however, it did not amend its estimated resources. As such, the deficiency reduced available resources below the current level of appropriation in various funds in both years.

We recommend the Village closely monitor its budget and make the necessary amendments in its estimated receipts, if necessary.

Management Response:

Management agrees and will closely monitor its receipts and disbursements against its estimated resources and appropriations.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2010 & 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2010-NAHC-03 Non-Compliance

Ohio Rev. Code Section 5705.39 provides in part that total appropriations in each fund shall not exceed total estimated resources.

Auditor of State Bulletin 97- 012 also states that if a local government is participating in a grant or loan program whereby proceeds will be received after the expenditures are incurred, it is possible that if properly budgeted, appropriations for one fiscal year will exceed the available amount on the certificate of estimated resources. As discussed in OCS section 1-7, Ohio Rev. Code §5705.42 makes formal legislative appropriation for certain grants and loans unnecessary. As such, the Auditor of State believes that it is equally unnecessary to require a subdivision to seek certification of the amended appropriation measure for purposes of Ohio Rev. Code §5705.39. However, the fiscal officer should record the appropriation amount in the accounting system and include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

The Village had a loan program whereby proceeds were received after the expenditures were incurred. The creditor transfers the money in the Village account and the Village subsequently writes a check to pay the project’s engineer and/or contractor. The Village did not include the appropriated amounts on the amended certificate of estimated resources, which caused appropriations to exceed estimated resources by \$101,119.

We recommend that the Village pass an amended certificate of estimated resources when it is participating in a grant or loan program to avoid appropriations exceeding estimated resources.

Management Response:

Management agrees and will comply with the requirements.

FINDING NUMBER 2010-NAHC-04 Non-Compliance and Material Weakness

Ohio Rev. Code 117.13(C)(3) states the fiscal officer may allocate audit costs to other funds other than the general fund only if the charges are properly allocated in accordance with each fund’s percentage of the total cost. In 2009 and 2010, the Fiscal Officer charged all audit cost to the enterprise fund. The financial statements and Village’s books have been adjusted to reflect the allocation of audit costs to various funds, including the General Fund.

We recommend that the Village properly allocate audit cost among proper funds.

Management Response:

Management agrees and made the adjustment in its books.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2010 and 2009**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-NAHC-01	OAC 117-2-02(A) – proper recording of transactions in the accounting system	No	Issued as Finding 2010-NAHC-01
2008-NAHC-02	Ohio Revised Code Section 5705.38 (A), .40 and .41(B)-Annual appropriations	No	Partially corrected Included in the management letter
2008-NAHC-03	Cash reconciliation	Yes	No longer valid
2008-NAHC-04	Ohio Revised Code Section 5705.39 – Appropriations exceeded estimated resources	No	Issued as Finding 2010-NAHC-03

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Dave Yost • Auditor of State

VILLAGE OF NEW ATHENS

HARRISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 29, 2011