

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Members of Council
Village of New Straitsville
114 Main Street
New Straitsville, Ohio 43766

We have reviewed the *Independent Accountants' Report* of the Village of New Straitsville, Perry County, prepared by Perry and Associates, CPAs, A.C., 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 Accountants' 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 Accountants' 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 Straitsville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 12, 2008

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**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

December 28, 2007

Village of New Straitsville
114 West Main Street
PO Box 238
New Straitsville, Ohio 43766

To the Village Council:

We have audited the accompanying financial statements of the **Village of New Straitsville, Perry County, Ohio**, (the Village) as of and for the years ended December 31, 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 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 our audit provides a reasonable basis for our opinion.

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the 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 it's larger (i.e. major) funds separately beginning in 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements.

The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the 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 their changes in financial position or cash flows for the year then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances for the Village of New Straitsville, Perry County, as of December 31, 2006 and 2005, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

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 Government 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 December 28, 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. 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.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Cash Receipts	<u>\$ 65,958</u>	<u>\$ 192,203</u>	<u>\$ 53,788</u>	<u>\$ 311,949</u>
Total Cash Receipts	<u>65,958</u>	<u>192,203</u>	<u>53,788</u>	<u>311,949</u>
Cash Disbursements:				
Cash Disbursements	<u>72,980</u>	<u>198,427</u>	<u>63,548</u>	<u>334,955</u>
Total Cash Disbursements	<u>72,980</u>	<u>198,427</u>	<u>63,548</u>	<u>334,955</u>
Total Cash Receipts Over Cash Disbursements	<u>(7,022)</u>	<u>(6,224)</u>	<u>(9,760)</u>	<u>(23,006)</u>
Fund Cash Balances, January 1	<u>10,559</u>	<u>18,867</u>	<u>54,804</u>	<u>84,230</u>
Fund Cash Balances, December 31	<u>\$ 3,537</u>	<u>\$ 12,643</u>	<u>\$ 45,044</u>	<u>\$ 61,224</u>

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

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Cash Receipts:			
Cash Receipts	<u>\$ 307,299</u>	<u>\$ 6,917</u>	<u>\$ 314,216</u>
Total Cash Receipts	<u>307,299</u>	<u>6,917</u>	<u>314,216</u>
Cash Disbursements:			
Cash Disbursements	<u>315,001</u>	<u>10,945</u>	<u>325,946</u>
Total Cash Disbursements	<u>315,001</u>	<u>10,945</u>	<u>325,946</u>
Total Cash Receipts Over Cash Disbursements	<u>(7,702)</u>	<u>(4,028)</u>	<u>(11,730)</u>
Fund Cash Balances, January 1	<u>53,792</u>	<u>4,153</u>	<u>57,945</u>
Fund Cash Balances, December 31	<u>\$ 46,090</u>	<u>\$ 125</u>	<u>\$ 46,215</u>

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

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Cash Receipts	\$ 43,578	\$ 158,661	\$ 189,626	\$ 391,865
Total Cash Receipts	<u>43,578</u>	<u>158,661</u>	<u>189,626</u>	<u>391,865</u>
Cash Disbursements:				
Cash Disbursements	40,905	188,899	134,822	364,626
Total Cash Disbursements	<u>40,905</u>	<u>188,899</u>	<u>134,822</u>	<u>364,626</u>
Total Cash Receipts Over Cash Disbursements	<u>2,673</u>	<u>(30,238)</u>	<u>54,804</u>	<u>27,239</u>
Fund Cash Balances, January 1	<u>7,886</u>	<u>49,105</u>	<u>-</u>	<u>56,991</u>
Fund Cash Balances, December 31	<u>\$ 10,559</u>	<u>\$ 18,867</u>	<u>\$ 54,804</u>	<u>84,230</u>

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

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Cash Receipts:			
Cash Receipts	<u>\$ 289,840</u>	<u>\$ 7,764</u>	<u>\$ 297,604</u>
Total Cash Receipts	<u>289,840</u>	<u>7,764</u>	<u>297,604</u>
Cash Disbursements:			
Cash Disbursements	<u>269,192</u>	<u>5,790</u>	<u>274,982</u>
Total Cash Disbursements	<u>269,192</u>	<u>5,790</u>	<u>274,982</u>
Total Cash Receipts Over Cash Disbursements	<u>20,648</u>	<u>1,974</u>	<u>22,622</u>
Fund Cash Balances, January 1	<u>33,144</u>	<u>2,179</u>	<u>35,323</u>
Fund Cash Balances, December 31	<u>\$ 53,792</u>	<u>\$ 4,153</u>	<u>\$ 57,945</u>

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

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Straitsville, Perry County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. A publicly elected three-member Board of Trustees directs the Village. The Village provides general governmental services, including maintenance of streets, water and sewer services, police, and fire and emergency medical service protection.

The Village is also affiliated with the Coal Township Union Cemetery. The Village of New Straitsville and Coal Township appoint the Board of Trustees of the Union Cemetery. Taxes levied by the Village for cemetery maintenance area collected by Perry County, and distributed to the Union Cemetery. The Union Cemetery is a legally separate entity that prepares and files it's own financial statements. The financial activity of the Union Cemetery is not included in the accompanying financial statements. The Auditor of State performs independent audits of the Union Cemetery.

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

B. Basis of Accounting

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

The Village did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

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

C. Cash and Investments

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

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

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

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

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

3. Enterprise Fund

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

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

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

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Water Tower Fund - This fund receives monies for the construction of a water tower.

Sewer Extension Fund - This fund receives monies for the construction of additional sewer lines.

5. Fiduciary Fund (Agency Fund)

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made, the Village did not encumber all commitments, as required by Ohio law.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	<u>\$ 107,439</u>	<u>\$142,175</u>

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

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,000	\$ 65,958	\$ 30,958
Special Revenue	119,000	192,203	73,203
Capital Projects	8,400	53,788	45,388
Enterprise	288,000	307,299	19,299
Total	\$ 450,400	\$ 619,248	\$ 168,848

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 41,890	\$ 72,980	\$ (31,090)
Special Revenue	114,900	198,427	(83,527)
Capital Projects	-	63,548	(63,548)
Enterprise	264,080	315,001	(50,921)
Total	\$ 420,870	\$ 649,956	\$ (229,086)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,000	\$ 43,578	\$ 19,578
Special Revenue	107,300	158,661	51,361
Capital Projects	2,050	189,626	187,576
Enterprise	290,000	289,840	(160)
Total	\$ 423,350	\$ 681,705	\$ 258,355

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 40,905	\$ (40,905)
Special Revenue	-	188,899	(188,899)
Capital Projects	-	134,822	(134,822)
Enterprise	-	269,192	(269,192)
Total	\$ -	\$ 633,818	\$ (633,818)

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to ORC Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 100% of expenditures tested during 2006 and 100% of expenditures testing during 2005.

Contrary to ORC Section 5705.39, the Street Construction, Maintenance and Repair had appropriations exceeding total estimated revenue during 2006.

Contrary to ORC Section 5705.41 (B) the General, Street Construction, Maintenance and Repair, State Highway, Parks and Recreation, Fire, EMS, Police, Capital Projects, Enterprise, and Agency Funds had expenditures exceeding appropriations in 2006 and all Funds in 2005 in that there was no appropriations resolution for 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which Village Council adopts rates. 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 payment, 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.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	1,649,000	3.25%
OWDA Loans	124,824	1.50%
Vehicle Acquisition Notes	52,694	4.5-4.75%
Equipment Loan	<u>11,488</u>	7.26%
Total	<u>1,838,024</u>	

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT (Continued)

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

The vehicle acquisition notes relate to acquisitions of a fire truck and ambulance. This debt is payable from general revenues of the Village. The full faith and credit of the Village have been pledged to the vehicle acquisition notes.

The OWDA loan was issued in August of 2003 and was for the purpose of constructing an elevated storage tank. The Village has pledged water system revenue to pay this loan.

The equipment acquisition note relates to the purchase of a mule (utility vehicle) that was purchased in November of 2006 with monthly payments starting in December of 2006 at an interest rate of 7.26%. This debt is payable from the general revenues of the Village. The full faith and credit of the Village have been pledged to the mule (utility vehicle) note.

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

Year Ending	Sewer Sys. Mortgage	OWDA	Vehicle Acquisition	Mule
December 31:	Rev. Bonds	Loan	Notes	Mule
2007	82,592	7,140	22,265	3,600
2008	82,650	7,140	21,729	3,600
2009	81,675	7,140	21,193	3,600
2010	81,700	7,140	-	2,258
2011	81,693	7,140	-	-
Thereafter	2,301,830	114,794	-	-
Total	<u>2,712,140</u>	<u>150,494</u>	<u>65,187</u>	<u>13,058</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund. Other full-time employees, part time law enforcement officers and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP & F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of the police participant wages. For 2006 and 2005, members of PERS contributed 9.00% and 8.5% of their gross salaries. The Village contributed an amount equal to 13.70 and 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

8. DEFICIT FUND BALANCES

The Village had deficit fund balances of \$23,027 in the Street Construction and Maintenance Repair Fund and \$6,730 in the Police Fund as of December 31, 2005. The Village had deficit fund balances of \$16,449 in the Street Construction and Maintenance Repair Fund and \$16,289 in the Police Fund as of December 31, 2006. The Village currently has an approximate deficit fund balances in the Street Construction and Maintenance Repair Fund of \$14,000 and \$20,000 in the Police Fund. The Clerk has planned to transfer the appropriate funds from the General Fund to eliminate the deficit in each of the funds.

Perry & Associates
Certified Public Accountants, A.C.

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

December 28, 2007

Village of New Straitsville
114 West Main Street
PO Box 238
New Straitsville, Ohio 43766

To the Village Council:

We have audited the financial statements of **Village of New Straitsville, Perry County, Ohio** (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 28, 2007, which was qualified since the Village did not classify receipts and disbursements in the financial statements and 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for expressing our opinions on the financial statements, but not to opine 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 the 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 considered 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 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 its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting 2006-001 through 2006-009.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2006-007 through 2006-009 described above are 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-007.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had negative fund balance at December 31, 2005 as follows:

<u>Fund</u>	<u>Deficit</u>
Street, Construction, Maintenance And Repair	\$23,027
Police	6,730

The Village had negative fund balances at December 31, 2006 as follows:

<u>Fund</u>	<u>Deficit</u>
Street, Construction, Maintenance And Repair	\$16,449
Police	16,289

We recommend the Village monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Village advance monies from the General Fund until the debtor fund can advance the monies back. In the case of a deficit fund balance for which no return of funds can reasonably be expected, we recommend the Village permanently transfer the monies to cover the deficit.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year-end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (continued)

Noncompliance Citation/Significant Deficiency (Continued)

No permanent appropriation measure was evidenced as being approved in the minutes during 2005. Accordingly, the Village lacked the authority to expend funds.

We recommend the Village adopt the temporary appropriation measure either with receipt of the Certificate of Estimated Resources or shortly thereafter. In addition, these measures should be approved on or about the first day of each fiscal year. If a temporary appropriation is utilized, the Village should develop and approve a permanent appropriation measure by April 1.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-003

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The appropriations exceeded that total estimated revenue for the Street, Construction, Maintenance and Repair Fund in 2006.

The Village should monitor appropriations to ensure that appropriations do not exceed total estimated resources.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-004

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2005 in all Funds in that there was no appropriations resolution. Actual disbursements exceeded appropriations in 2006 in the General Fund, the Water Fund, the Sewer Fund, the Street Construction, Maintenance and Repair Fund, the Parks and Recreation Fund, the Fire Fund, the Police Fund, the Water Tower Fund, and the Sewer Extension Fund.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-004 (Continued)

Noncompliance Citation/Significant Deficiency (Continued)

We recommend the Village Clerk modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-005

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-005 (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested during 2006 and 2005. In addition, there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-006

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 2949.091 requires, in part that all monies collected by the court during a month and owed to the State from Court costs shall be transmitted on or before the twentieth day of the following month by the Clerk of the Court to the Treasurer of State.

During 2005, money was collected and due the State Treasury by the Mayor’s Court. The Mayor’s Court should have remitted a total of \$1,224 during the course of the year, as it was collected, monthly. Instead one single payment was made in January of 2006.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-006 (Continued)

Noncompliance Citation/Significant Deficiency (Continued)

We recommend the Village Clerk refer to ORC 2949.91 for guidance, to determine the proper payment procedures for remitting funds to the State.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-007

Noncompliance/Significant Deficiency/Material Weakness

Ohio Revised Code § 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. In addition Ohio Administrative Code Section 117-2-02(A) requires all local public offices to 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 with finance-related legal and contractual requirements and prepare financial statements.

The Village's Clerk did maintain receipt ledgers and expenditure ledgers for 2005 and 2006; they were categorized by fund only (rather than by receipt and expenditure type), and did not incorporate budgetary amounts.

We recommend the Village Clerk review the requirements of Ohio Rev. Code Section 733.28, Ohio Administrative Code Section 117-2-02(A), and the Village Officer's Handbook as guidance in preparing and maintaining the required accounting records. These resources can be found on the Auditor of State's website at www.auditor.state.oh.us/LocalGovernment/.

FINDING NUMBER 2006-008

Significant Deficiency/Material Weakness

Posting Receipts/Expenditures

During 2005 and 2006, debt payments were not divided between principal and interest. In 2005, a Water and Sewer receipt was recorded \$1,000 over the actual deposit amount. This receipt was determined to be included within another deposit amount.

We recommend the Clerk refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-009

Significant Deficiency/Material Weakness

Cash Reconciliations

During 2005, the clerk did not reconcile the end of the month bank balance to the end of the month cash balance per the Village's records.

We recommend the Clerk reconcile the end of the month bank balance to the Village's end of the month cash balance per the Cash Journal. We recommend the Clerk perform this reconciliation on the bank statement and include this reconciliation as part of the financial report the Council approves each month.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 5705.10 – requires that money paid into a fund must be used for the purposes for which the fund has been established.	No	Not Corrected, Repeated as finding 2006-01
2004-002	ORC Section 5705.36(A) – Allows all subdivisions to request increased or decreased amended certificates upon determination by the clerk that revenue to be collected will be greater or less than the amount of the official certificate of estimated resources.	Yes	
2004-003	ORC Section 5705.38(A) – Requires on or about the first day of each fiscal year, an appropriation measure is to be passed.	No	Not Corrected, Repeated as finding 2006-002
2004-004	ORC Section 5705.39 – States that the total appropriations from each fund cannot exceed the total estimated revenue.	No	Not Corrected, Repeated as finding 2006-003
2004-005	ORC Section 5705.41(B) – Prohibits a subdivision or taxing authority from expending money unless it has been properly appropriated.	No	Not Corrected, Repeated as finding 2006-004
2004-006	ORC Section 5705.41(D) – Prohibits a subdivision or taxing authority from expending money unless a certificate signed by the clerk is attached thereto.	No	Not Corrected, Repeated as finding 2006-005
2004-007	ORC Section 3402(a)(1) States every employer making payment of wages shall deduct and withhold upon such wages a tax in accordance with tables or computational procedures.	Yes	
2004-008	Village Ordinance 99.018 requires that the Village establish a sewer reserve fund and allocate \$700 per month until \$84,000 has been accumulated.	Yes	

**VILLAGE OF NEW STRAITSVILLE
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

2004-009	ORC Section 117.28 – Finding for recovery vs. Dodee Lindsey (\$1455.25) for salary overpayment due to unauthorized increase in hours per week and hourly rate.	Yes	
2004-010	ORC Section 2949.091– Requires that all money collected by the court during the month & owed to the State be paid no later than the 20 th of the following month. ORC Section 117.28 vs. the Village for \$875 for money not remitted to the state.	No	Not Corrected, Repeated as finding 2006-006
2004-011	ORC Section 117.28 – Finding for recovery vs. Dodee Lindsey (\$232.33) for illegally spending public moneys for personal cell phone bills.	Yes	
2004-012	ORC Section 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.	No	Not Corrected, Repeated as finding 2006-007



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW STRAITSVILLE

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2008**