

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
REGULAR AUDIT
For the Years Ended December 31, 2006 and 2005



Mary Taylor, CPA

Auditor of State

Members of Village Council
Village of Stoutsville
Stoutsville, Ohio

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, 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 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

December 7, 2009

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VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY

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125 West Mulberry Street
Lancaster, Ohio 43130

www.JCCcpa.com

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

Dean A. Cochenour, MBA, CPA

Jeanette R. Addington, MBA, CPA, CGFM

Brian D. Long, CPA

Keith A. Lewis, CPA

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, 2006 and 2005. 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 2006 and 2005 in the accompanying financial statements, nor were we able to satisfy ourselves to those financial activities by other auditing procedures. In addition, the accompanying financial statements for 2005 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. 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, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (ie. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the 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, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows of its proprietary fund 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 2006 and 2005 be susceptible to satisfactory audit test, and except for the omission of receipt and disbursement classifications for 2005, 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, 2006 and 2005, and its combined cash receipts and disbursements and combined unclassified receipts and disbursements for the respective years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, 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.
September 30, 2009

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, 2006

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property tax and other local tax	\$ 21,535	\$ 8,783	\$ -	\$ 30,318
Intergovernmental Receipts	16,154	27,932	-	44,086
Fines, Licenses, and Permits	2,012	-	-	2,012
Earnings on investments	2,428	875	-	3,303
Miscellaneous	10,933	-	-	10,933
Total Cash Receipts	<u>53,062</u>	<u>37,590</u>	<u>-</u>	<u>90,652</u>
Cash Disbursements:				
Security of persons and property	3,286	512	-	3,798
Public health services	1,658	-	-	1,658
Transportation	-	17,523	-	17,523
General government	32,707	86	-	32,793
Total Cash Disbursements	<u>37,651</u>	<u>18,121</u>	<u>-</u>	<u>55,772</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>15,411</u>	<u>19,469</u>	<u>-</u>	<u>34,880</u>
Fund Cash Balances, January 1	<u>58,666</u>	<u>83,864</u>	<u>18</u>	<u>142,548</u>
Fund Cash Balances, December 31	<u>\$ 74,077</u>	<u>\$ 103,333</u>	<u>\$ 18</u>	<u>\$ 177,428</u>
Reserves for Encumbrances, Decmeber 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, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Special Assessments	\$ 4,350
Total Operating Cash Receipts	4,350
Operating Cash Disbursements:	
Other non-operating disbursements	25,718
Non-operating Receipts and Disbursements:	
Intergovernmental receipts	2,132,878
Capital outlay	2,132,878
Total Non-operating Receipts and Disbursements	-
Net Receipts Over/(Under) Cash Disbursements	(21,368)
Fund Cash Balances, January 1	75,998
Fund Cash Balances, December 31	\$ 54,630

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, 2005**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Cash receipts	<u>\$ 37,881</u>	<u>\$ 33,765</u>	<u>\$ 19</u>	<u>\$ 71,665</u>
Cash Disbursements:				
Cash disbursements	<u>37,525</u>	<u>16,459</u>	<u>1</u>	<u>53,985</u>
Total Cash Disbursements	<u>37,525</u>	<u>16,459</u>	<u>1</u>	<u>53,985</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>356</u>	<u>17,306</u>	<u>18</u>	<u>17,680</u>
Fund Cash Balances, January 1, restated	<u>58,310</u>	<u>66,558</u>	<u>-</u>	<u>124,868</u>
Fund Cash Balances, December 31	<u>\$ 58,666</u>	<u>\$ 83,864</u>	<u>\$ 18</u>	<u>\$ 142,548</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, 2005**

	Proprietary Fund Type
	Enterprise
Cash Receipts:	
Cash Receipts	\$ 192,599
Cash Disbursements:	
Cash Disbursements	<u>152,166</u>
Cash Receipts Over Cash Disbursements	40,433
Fund Cash Balances, January 1, restated	<u>35,565</u>
Fund Cash Balances, December 31	<u><u>\$ 75,998</u></u>

See notes to financial statements

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006 and 2005

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).

The Village did not classify its receipts and disbursements in the accompanying financial statements for the year ended December 31, 2005. This is a material departure of Ohio Administrative Code Section 117-2-02(a), which requires governments to classify receipts and disbursements.

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. During 2005 and 2006 there were no major projects.

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006 and 2005

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 2006 and 2005 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>2006</u>	<u>2005</u>
Demand deposits	\$ 232,058	\$ 218,546

Deposits : Deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 per bank. The village exceeded the FDIC by \$134,067 and \$27,465 for the years ended December 31, 2006 and 2005, respectively. These balances were insured by pooled collateral provided by the bank.

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006 and 2005

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 71,623	\$ 53,062	\$ (18,561)
Special Revenue	23,200	37,590	14,390
Enterprise	3,999,000	2,137,228	(1,861,772)
Total	\$ 4,093,823	\$ 2,227,880	\$ (1,865,943)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 46,744	\$ 38,223	\$ 8,521
Special Revenue	46,725	18,121	28,604
Enterprise	3,600,000	2,158,596	1,441,404
Total	\$ 3,693,469	\$ 2,214,940	\$ 1,478,529

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 66,648	\$ 37,881	\$ (28,767)
Special Revenue	23,300	33,765	10,465
Capital Projects	1,300,000	19	(1,299,981)
Enterprise	-	192,599	192,599
Total	\$ 1,389,948	\$ 264,264	\$ (1,125,684)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 60,000	\$ 37,525	\$ 22,475
Special Revenue	22,700	16,459	6,241
Capital Projects	-	1	(1)
Enterprise	120,000	152,166	(32,166)
Total	\$ 202,700	\$ 206,151	\$ (3,451)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Enterprise Improvement Fund by \$32,166, for the year ended December 31, 2005.

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006 and 2005

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 2006 and 2005, 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, 2006.

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, 2006 and 2005:

	2006	2005
Assets	\$ 2,331,284	\$ 2,241,661
Liabilities	(3,130,475)	(3,457,720)
Accumulated deficit	\$ (799,191)	\$ (1,216,059)

7. RESTATEMENT

The Village located voided checks and errors in the December 31, 2004 cash balances. The following is the analysis of the restatements by Fund:

	Special Revenue				Enterprise
	General	Street	Police	Permission	Sanitary Sewer
Audited 12/31/04	\$ 56,569	\$ 30,551	\$ 10,553	\$ 24,331	\$ 25,378
Voided Checks	1,741	802	321	-	10,187
Restated 12/31/04	\$ 58,310	\$ 31,353	\$ 10,874	\$ 24,331	\$ 35,565

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006 and 2005

8. 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:

OWDA Number	Original Date	Percent	12/31/2005	New	Interest	Rollover out/in	12/31/2006
4500			\$ -	\$ 1,076,989	\$ 14,194	\$ 162,298	\$ 1,253,481
3527	8/30/2001	5.74%	160,156	-	2,142	(162,298)	-
OPWC-CQ2914			-	455,889	-		455,889
ODOD - CDBG			-	600,000	-		600,000
		Totals	<u>\$ 160,156</u>	<u>\$ 2,132,878</u>	<u>\$ 16,336</u>	<u>\$ -</u>	<u>\$ 2,309,370</u>

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

Subsequent to the year end the OWDA interim financing loan was converted to a USDA rural development loan.

VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FEDERAL EXPENDITURES
Year Ended December 31, 2006

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
Community Development Block Grant	14.228	<u>\$ 600,000</u>



125 West Mulberry Street
Lancaster, Ohio 43130

www.JCCcpa.com

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

Dean A. Cochenour, MBA, CPA
Jeanette R. Addington, MBA, CPA, CGFM

Brian D. Long, CPA

Keith A. Lewis, CPA

**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, 2006 and 2005, and have issued our report thereon dated September 30, 2009. Because of inadequacies in the Village's accounting records, we were unable to determine the completeness of the Special Assessment receipts for 2006 and 2005 in the accompanying financial statements, nor were we able to satisfy ourselves to those financial activities by other auditing procedures. In addition, the accompanying financial statements for 2005 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. Except for those items 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 2006-4140-001 and 2006-4140-002 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.

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 2006-4140-003 through 2006-4140-007 in the Schedule of Findings.

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 and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.



Jones, Cochenour & Co.
September 30, 2009



125 West Mulberry Street
Lancaster, Ohio 43130

www.JCCcpa.com

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

Dean A. Cochenour, MBA, CPA

Jeanette R. Addington, MBA, CPA, CGFM

Brian D. Long, CPA

Keith A. Lewis, CPA

**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 year ended December 31, 2006. 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 year ended December 31, 2006.

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

much more than an accounting firm

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 any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.
September 30, 2009

Schedule of Findings
OMB Circular A-133 § .505
Village of Stoutsville
Years Ended December 31, 2006 (Single Audit) and 2005

1. SUMMARY OF AUDITORS' RESULTS

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?	No
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?	No
Major Programs (list):	Community Block Grant CFDA#14.228
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	No

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
December 31, 2006 and 2005**

Finding Number	2006-4140-001
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CASH RECONCILIATIONS –SIGNIFICANT DEFICIENCY – MATERIAL WEAKNESS

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

The Clerk-Treasurer completed bank reconciliations for the 2006 and 2005 fiscal years. However, the reconciliations for 2005 contained errors, that when corrected, revealed that the Village was not reconciled. These errors resulted in adjustments to the financial statements of the Village for 2005.

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

AUDITEE RESPONSE:

Monthly bank reconciliations were done for 2006 and total deposits/disbursements and cash are being verified to be in balance with bank statements.

Finding Number	2006-4140-002
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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.

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
December 31, 2006 and 2005**

Finding Number	2006-4140-003
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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 county 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.

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	2006-4140-004
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ACCOUNTING SYSTEM

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

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
December 31, 2006 and 2005**

Finding Number	2006-4140-004
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ACCOUNTING SYSTEM - CONTINUED

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

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

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

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

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

The Village's Clerk-Treasurer did not maintain a receipt ledger or appropriation ledger for 2005. Therefore, the Village did not classify receipt and disbursement transactions for 2005. As a result, the Village was unable to monitor compliance with its appropriation resolution. The Village was also unable to classify receipts by source or disbursements by purpose in its annual report, contrary to Ohio Revised Code Section 117.38.

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

AUDITEE RESPONSE:

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

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
December 31, 2006 and 2005**

Finding Number	2006-4140-005
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EXPENDITURES EXCEEDING APPROPRIATIONS

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter. Expenditures exceeded appropriations at December 31, 2005 in the sewer fund by \$ 32,166.

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

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

AUDITEE RESPONSE:

The Clerk-Treasurer has received training and understands how to monitor the transactions and will strive to assure the expenditures do not exceed the appropriations.

Finding Number	2006-4140-006
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CERTIFYING FUNDS PRIOR TO EXPENDITURE

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

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

1. "Then and Now" certificate- If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate- Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year . 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.

**VILLAGE OF STOUTSVILLE, FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
December 31, 2006 and 2005**

Finding Number	2006-4140-006
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CERTIFYING FUNDS PRIOR TO EXPENDITURE - CONTINUED

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

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

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

AUDITEE RESPONSE:

The Clerk-Treasurer will monitor this activity more closely.

Finding Number	2006-4140-007
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APPROPRIATIONS EXCEEDING ESTIMATED RESOURCES

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission, or in the case of appeal, by the board of tax appeals. The Village's appropriations exceeded its total estimated revenue (estimated receipts plus unencumbered balance) for 2005. The enterprise improvement fund reflected \$0 for estimated revenue and \$120,000 for appropriations, resulting in a variance of (\$120,000). Failure to limit appropriations to estimated revenue could lead to deficit spending.

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

AUDITEE RESPONSE:

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

**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	No	Re-issued as Finding 2006-4140-001
2004-002	Failure for Council to review monthly financial reports	Yes	N/A
2004-003	Depositing funds with financial institution in timely manner and safeguarding against theft	No	Re-issued as Finding 2006-4140-002
2004-004	ORC Section 729.11 and 733.28 failure to maintain ordinance and record taxes and assessments	No	Re-issued as Finding 2006-4140-003
2004-005	Failure to maintain necessary accounting records	No	Re-issued as Finding 2006-4140-004
2004-006	ORC Section 5705.39- Appropriations exceeded revenues	No	Re-issued as Finding 2006-4140-007
2004-007	ORC Section 5705.41(B) – Appropriating Funds prior to expenditure	No	Re-issued as Finding 2006-4140-005
2004-008	ORC Section 5705.10 – Receipts posted to incorrect funds	Yes	N/A
2004-009	ORC Section 5705.41(D)- Failure to certify funds prior to expending	No	Re-issued as Finding 2006-4140-006



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
DECEMBER 17, 2009**