



Dave Yost • Auditor of State

VILLAGE OF NEW RIEGEL
SENECA COUNTY

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Dave Yost • Auditor of State

Village of New Riegel
Seneca County
13 W. Findlay Street
P.O. Box 8
New Riegel, Ohio 44853-0008

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

March 24, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Riegel
Seneca County
13 W. Findlay Street
P.O. Box 8
New Riegel, Ohio 44853-0008

To the Village Council:

We have audited the accompanying financial statements of the Village of New Riegel, Seneca County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of New Riegel, Seneca County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.



Dave Yost
Auditor of State

March 24, 2011

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Local Taxes | \$16,165 | | \$16,165 |
| Municipal Income Tax | 62,487 | | 62,487 |
| Intergovernmental | 51,671 | \$14,391 | 66,062 |
| Fines, Licenses and Permits | 3,851 | | 3,851 |
| Earnings on Investments | 551 | 236 | 787 |
| Miscellaneous | 1,517 | | 1,517 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 136,242 | 14,627 | 150,869 |
| | <hr/> | <hr/> | <hr/> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 27,607 | | 27,607 |
| Leisure Time Activities | 825 | | 825 |
| Basic Utility Service | 12,541 | | 12,541 |
| Transportation | | 250 | 250 |
| General Government | 155,701 | | 155,701 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 196,674 | 250 | 196,924 |
| | <hr/> | <hr/> | <hr/> |
| Total Receipts Over/(Under) Disbursements | (60,432) | 14,377 | (46,055) |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, January 1 | 143,264 | 62,928 | 206,192 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$82,832</u> | <u>\$77,305</u> | <u>\$160,137</u> |

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

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Proprietary Fund Type |
|---|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$71,897 |
| Operating Cash Disbursements: | |
| Personal Services | 5,403 |
| Employee Fringe Benefits | 829 |
| Contractual Services | 11,307 |
| Supplies and Materials | 2,019 |
| Total Operating Cash Disbursements | 19,558 |
| Operating Income | 52,339 |
| Non-Operating Cash Receipts: | |
| Intergovernmental | 109,490 |
| Non-Operating Cash Disbursements: | |
| Capital Outlay | 43,531 |
| Interest and Other Fiscal Charges | 49,348 |
| Total Non-Operating Cash Disbursements | 92,879 |
| Excess of Receipts Over Disbursements Before Interfund Transfers | 68,950 |
| Transfers-In | 60,028 |
| Transfers-Out | (60,028) |
| Net Receipts Over Disbursements | 68,950 |
| Fund Cash Balances, January 1 | 219,873 |
| Fund Cash Balances, December 31 | \$288,823 |

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

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash Receipts: | | | | |
| Property and Local Taxes | \$16,184 | | | \$16,184 |
| Municipal Income Tax | 107,983 | | | 107,983 |
| Intergovernmental | 62,235 | \$14,482 | | 76,717 |
| Charges for Services | 443 | | | 443 |
| Fines, Licenses and Permits | 4,086 | | | 4,086 |
| Earnings on Investments | 1,243 | 533 | | 1,776 |
| Miscellaneous | 1,285 | | | 1,285 |
| | 193,459 | 15,015 | | 208,474 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 31,295 | | | 31,295 |
| Leisure Time Activities | 868 | | | 868 |
| Basic Utility Service | 13,080 | | | 13,080 |
| Transportation | | 4,800 | | 4,800 |
| General Government | 174,298 | | | 174,298 |
| Capital Outlay | | | \$7,812 | 7,812 |
| | 219,541 | 4,800 | 7,812 | 232,153 |
| Total Receipts Over/(Under) Disbursements | (26,082) | 10,215 | (7,812) | (23,679) |
| Other Financing Disbursements: | | | | |
| Transfers-Out | (375,000) | | | (375,000) |
| Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (401,082) | 10,215 | (7,812) | (398,679) |
| Fund Cash Balances, January 1 | 544,346 | 52,713 | \$7,812 | 604,871 |
| Fund Cash Balances, December 31 | \$143,264 | \$62,928 | \$7,812 | \$206,192 |

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

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Proprietary Fund Type |
|---|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$66,034 |
| Operating Cash Disbursements: | |
| Personal Services | 4,272 |
| Employee Fringe Benefits | 660 |
| Contractual Services | 5,200 |
| Supplies and Materials | 6,404 |
| Total Operating Cash Disbursements | 16,536 |
| Operating Income | 49,498 |
| Non-Operating Cash Receipts: | |
| Intergovernmental | 16,991 |
| Miscellaneous Receipts | 6 |
| Total Non-Operating Cash Receipts | 16,997 |
| Non-Operating Cash Disbursements: | |
| Capital Outlay | 15,839 |
| Redemption of Principal | 275,000 |
| Interest and Other Fiscal Charges | 57,007 |
| Total Non-Operating Cash Disbursements | 347,846 |
| Excess of Disbursements Over Receipts Before Interfund Transfers | (281,351) |
| Transfers-In | 443,831 |
| Transfers-Out | (68,831) |
| Net Receipts Over Disbursements | 93,649 |
| Fund Cash Balances, January 1 | 126,224 |
| Fund Cash Balances, December 31 | \$219,873 |

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

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Riegel, Seneca County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

The Village participates in the NBS Joint Fire District, a jointly governed organization and the Ohio Plan Risk Management, a public entity risk pool.

Jointly Governed Organization:

On January 1, 2008, the Village entered into an agreement to form the NBS Joint Fire District between the Village of New Riegel, Big Springs and Seneca Townships, to provide fire protection services.

Public Entity Risk Pool:

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue funds:

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. 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:

USDA Sewer Grant Fund – This fund received money from the USDA – Rural Development State Office grant funds. The funds are being used to construct a new sewer system.

US Stag Sewer Grant Fund – This fund received money from the Environmental Protection Agency grant funds. The funds are being used to construct a new sewer system.

ODOD 412 Grant Fund – This fund received money from the ODOD – Ohio Department of Development 412 grant funds. The funds are being used to construct a new sewer system.

4. Enterprise Funds

These funds account 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:

VILLAGE OF NEW RIEGEL
SENECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

E. 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

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

| | | |
|----------------|------------------|------------------|
| | 2010 | 2009 |
| Total deposits | <u>\$448,960</u> | <u>\$426,065</u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-----------------|
| General | \$131,255 | \$136,242 | \$4,987 |
| Special Revenue | 14,350 | 14,627 | 277 |
| Enterprise | 198,252 | 241,415 | 43,163 |
| Total | <u>\$343,857</u> | <u>\$392,284</u> | <u>\$48,427</u> |

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$246,425 | \$196,674 | \$49,751 |
| Special Revenue | 56,000 | 250 | 55,750 |
| Enterprise | 268,969 | 172,465 | 96,504 |
| Total | <u>\$571,394</u> | <u>\$369,389</u> | <u>\$202,005</u> |

2009 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-------------------|
| General | \$230,355 | \$193,459 | (\$36,896) |
| Special Revenue | 14,150 | 15,015 | 865 |
| Capital Projects | 10 | - | (10) |
| Enterprise | 503,856 | 526,862 | 23,006 |
| Total | <u>\$748,371</u> | <u>\$735,336</u> | <u>(\$13,035)</u> |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$677,483 | \$594,541 | \$82,942 |
| Special Revenue | 56,000 | 4,800 | 51,200 |
| Capital Projects | 7,812 | 7,812 | - |
| Enterprise | 535,576 | 433,213 | 102,363 |
| Total | <u>\$1,276,871</u> | <u>\$1,040,366</u> | <u>\$236,505</u> |

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2010 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------------------|--------------------|----------------------|
| Sewage System Mortgage Revenue Bonds | <u>\$1,013,000</u> | 4.5% |

The Ohio Water Development Authority (OWDA) made a loan to the Village for a sewer plant project that was mandated by the Ohio Environmental Protection Agency and was approved in the amount of \$1,288,000. The Village repaid this loan to OWDA in August 2008. To repay this loan, the Village issued Sewage System Mortgage Revenue Bonds in August 2008 in the amount of \$1,288,000 at the interest rate of 4.5%. The Village will repay the bonds in annual installments over 40 years. The first payment is scheduled for August 1, 2009. During 2009, the Village made a principal payment of \$275,000 plus the scheduled payment. The Village has collected utility rates sufficient to cover the debt service requirements for the next two years.

The mortgage revenue bond covenant requires the Village to establish a debt service fund and a reserve fund. The balances at December 31, 2010, are \$28,273 and \$54,118 respectively.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

| Year ending December 31: | Mortgage Revenue Bonds |
|--------------------------|------------------------------|
| 2011 | \$58,985 |
| 2012 | 58,882 |
| 2013 | 59,057 |
| 2014 | 58,995 |
| 2015 | 59,006 |
| 2016-2020 | 294,875 |
| 2021-2025 | 294,798 |
| 2026-2030 | 294,899 |
| 2031-2035 | 294,901 |
| 2036-2040 | 294,996 |
| 2041-2044 | 217,194 |
| Total | \$1,986,588 |

7. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:.

| | 2009 OPRM | 2009 OPHC | 2009 | 2008 |
|-----------------|------------------|------------------|--------------|--------------|
| Assets | \$11,176,186 | \$1,358,802 | \$12,534,988 | \$10,471,114 |
| Liabilities | (4,852,485) | (1,253,617) | (6,106,102) | (5,286,781) |
| Members’ Equity | \$6,323,701 | \$105,185 | \$6,428,886 | \$5,184,333 |

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

9. Jointly Governed Organization

The Village is a participant of the NBS Joint Fire District between the Village of New Riegel, Big Springs and Seneca Townships, to provide fire protection services.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

10. Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

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

Village of New Riegel
Seneca County
13 W. Findlay Street
P.O. Box 8
New Riegel, Ohio 44853-0008

To the Village Council:

We have audited the financial statements of the Village of New Riegel, Seneca County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 24, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 24, 2011.

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

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



Dave Yost
Auditor of State

March 24, 2011

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code § 5705.05 prohibits using taxes levied for current expenses to pay debt charges. **1981 Op. Atty Gen. No. 81-035** states certain moneys paid into the general fund which are not derived from a general levy for current expenses are placed in the general fund precisely because their use is not restricted, **Ohio Revised Code § 5705.10**. Such monies may be used to pay debt charges provided that they have not been commingled with general fund monies which may not be used for debt payment. Where otherwise unrestricted monies have been paid into the general fund and have been commingled with restricted monies to the extent that the particular source from which the monies originated cannot be distinguished, such monies may be used to pay debt charges only after they have been transferred to an appropriate fund pursuant to **Ohio Revised Code § 5705.14**. The Village made a payment for their USDA loan in the amount of \$275,000 from the General Fund instead of transferring it from the General Fund to the Enterprise Debt Service Fund and making the payment from the Enterprise Debt Service Fund.

We recommend such monies be used to pay debt charges only after they have been transferred to an appropriate fund pursuant to **Ohio Revised Code § 5705.14**. Also, the Village should record USDA loan payments from the Enterprise Debt Service Fund since **Ohio Revised Code § 5705.10** provides that money paid into a fund shall be used only for the purpose for which such fund was established. Therefore, money in a fund may be used to pay debt charges provided the payment of such debt charges is consistent with the purpose for which the fund was established.

FINDING NUMBER 2010-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such 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 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, each of 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 both at the time 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 an appropriate fund free from any previous encumbrances, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 Council.

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** – Council 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 may, but need not, be limited to a specific vendor. 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.

Forty-Four percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence Council followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, Council did not pass a resolution establishing limit amounts for regular blanket certificates.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Council funds being over expended or exceeding budgetary spending limitations as set by Council. Council should establish a limit for the blanket certificates by resolution. In addition, to improve controls over disbursements, we recommend all Council disbursements receive prior certification from the fiscal officer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the fiscal officer and recorded against appropriations.

Officials’ Response:

In response to the two citations in the current audit, I have already implemented a program for all council members to review all purchase orders and invoices. I will continue to furnish them monthly financial reports including check list, fund balances and appropriation line item balances as in the past. Everyone is required to review all the material.

The large debt payment made by the council was a new experience for the council and myself and we didn’t realize all the steps that should have taken place. I am now aware and know the procedure for such action.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2008-001 | Noncompliance citation – ORC 5705.36(A)(4) obtain amended certificate of estimated resources. | Yes | |
| 2008-002 | Material Weakness – Financial Reporting | No | Partially Corrected. Repeated in the management letter. |



Dave Yost • Auditor of State

VILLAGE OF NEW RIEGEL

SENECA 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
APRIL 12, 2011**