

VILLAGE OF NEW ATHENS

HARRISON COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2006 & 2005

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



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of New Athens, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 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 *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 18, 2007

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VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2006 & 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of New Athens (Village), Harrison County, Ohio as and for the years ended December 31, 2006 & 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 & 2005. Instead of the combined funds the accompanying financial statements present for 2006 & 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2006 & 2005. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 & 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 & 2005, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of New Athens, Harrison County as of December 31, 2006 & 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 & 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 20, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
September 20, 2007

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006

	Governmental Fund Types			(Memorandum Only) Total
	General	Special Revenue	Capital Projects	
RECEIPTS:				
Property and Local Taxes	\$ 9,571	\$ 7,658	-	\$ 17,229
Intergovernmental	25,507	19,365	\$ 43,717	88,589
Charges for Services	3,800	-	-	3,800
Fines, Licenses and Permits	1,095	-	-	1,095
Earnings on Investments	30	30	-	60
Miscellaneous	250	-	-	250
Total Cash Receipts	40,253	27,053	43,717	111,023
DISBURSEMENTS:				
Security of Persons and Property	18,792	8,263	-	27,055
Public Health Services	473	-	-	473
Transportation	-	12,246	-	12,246
General Government	30,769	401	-	31,170
Capital Outlay	135	-	43,717	43,852
Debt Service:				
Retirement of Principal	2,318	-	-	2,318
Total Cash Disbursements	52,487	20,910	43,717	117,114
Cash Receipts Over/(Under) Cash Disbursements	(12,234)	6,143	-	(6,091)
Other Financing Sources (Uses):				
Other Financing Sources	5,592	-	-	5,592
Other Financing Uses	(51)	-	-	(51)
Total Other Financing Sources (Uses)	5,541	-	-	5,541
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(6,693)	6,143	-	(550)
Fund Cash Balance, January 1, 2006	42,236	17,770	568	60,574
Fund Cash Balance, December 31, 2006	\$ 35,543	\$ 23,913	\$ 568	\$ 60,024
Reserves for Encumbrances, December 31, 2006	\$ 1,421	\$ 745	\$ -	\$ 2,166

See Accompanying Notes to the Financial Statements

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2006

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 114,756
Total Operating Cash Receipts	114,756
 OPERATING CASH DISBURSEMENTS	
Personal Services	14,611
Employee Fringe Benefits	2,626
Contractual Services	68,709
Materials and Supplies	6,138
Other Operating Disbursements	226
Total Operating Cash Disbursements	92,310
Operating Income (Loss)	22,446
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Intergovernmental	535
Sale of Fixed Assets	80
Debt Service:	
Retirement of Principal	(16,231)
Total Non Operating Cash Receipts (Disbursements)	(15,616)
Excess of Cash Receipts Over/(Under) Cash Disbursements	6,830
Fund Cash Balance, January 1, 2006	16,630
Fund Cash Balance, December 31, 2006	\$ 23,460
Reserves for Encumbrances, December 31, 2006	\$ 1,788

See Accompanying Notes to the Financial Statements

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2005

	Governmental Fund Types			(Memorandum Only) Total
	General	Special Revenue	Capital Projects	
RECEIPTS:				
Property and Local Taxes	\$ 8,387	\$ 7,235	-	\$ 15,622
Intergovernmental	49,665	17,740	\$ 353,799	421,204
Special Assessment	-	25	-	25
Charges for Services	3,800	-	-	3,800
Fines, Licenses and Permits	865	-	-	865
Earnings on Investments	23	23	-	46
Miscellaneous	750	-	-	750
Total Cash Receipts	63,490	25,023	353,799	442,312
DISBURSEMENTS:				
Security of Persons and Property	9,978	3,594	-	13,572
Public Health Services	271	-	-	271
Community Environment	8	-	-	8
Transportation	-	15,380	-	15,380
General Government	21,291	461	-	21,752
Capital Outlay	870	-	353,231	354,101
Debt Service:				
Retirement of Principal	3,389	-	-	3,389
Interest and Fiscal Charges	4	-	-	4
Total Cash Disbursements	35,811	19,435	353,231	408,477
Cash Receipts Over/(Under) Cash Disbursements	27,679	5,588	568	33,835
Other Financing Sources (Uses):				
Other Financing Sources	539	-	-	539
Total Other Financing Sources (Uses)	539	-	-	539
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	28,218	5,588	568	34,374
Fund Cash Balance, January 1, 2005	14,018	12,182	-	26,200
Fund Cash Balance, December 31, 2005	\$ 42,236	\$ 17,770	\$ 568	\$ 60,574
Reserves for Encumbrances, December 31, 2005	\$ 132	\$ 90	\$ -	\$ 222

See Accompanying Notes to the Financial Statements

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2005

	<u>Proprietary Fund Type</u>	
	<u>Enterprise</u>	
OPERATING CASH RECEIPTS:		
Charges for Services	\$	108,523
Special Assessment		180
Miscellaneous		346
		109,049
Total Operating Cash Receipts		109,049
OPERATING CASH DISBURSEMENTS		
Personal Services		13,588
Employee Fringe Benefits		3,088
Contractual Services		64,244
Materials and Supplies		1,635
Other Operating Disbursements		751
		83,306
Total Operating Cash Disbursements		83,306
Operating Income (Loss)		25,743
NON OPERATING CASH RECEIPTS		
(DISBURSEMENTS)		
Debt Service:		
Retirement of Principal		(17,337)
Interest and Fiscal Charges		(4)
		(17,341)
Total Non Operating Cash Receipts		(17,341)
(Disbursements)		
Excess of Cash Receipts Over/(Under) Cash Disbursements		8,402
Fund Cash Balance, January 1, 2005		8,228
		16,630
Fund Cash Balance, December 31, 2005	\$	16,630
		16
Reserves for Encumbrances, December 31, 2005	\$	16

See Accompanying Notes to the Financial Statements

**VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of New Athens, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Village Council. The Village provides general governmental services including water utilities, street repair and maintenance and police protection. The Village contracts with the New Athens Volunteer Fire Department for fire protection services.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH AND INVESTMENTS

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

D. FUND ACCOUNTING

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

1. General Fund

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

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005

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

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

2. **Special Revenue Funds**

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

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

3. **Capital Projects Funds**

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

Grant Construction Fund- This fund receives intergovernmental revenue for construction of the Edwards waterline project.

Other Capital Projects Fund- This fund receives intergovernmental revenue for construction of the Ohio Public Water Commission water project.

4. **Enterprise Funds**

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

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

**VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over to the subsequent year.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2006</u>
Demand Deposits	\$77,204	\$83,484

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 & 2005 is as follows:

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$40,585	\$64,029	\$23,444
Special Revenue	11,871	25,023	13,152
Capital Projects	0	353,799	353,799
Enterprise	106,500	109,049	2,549

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General	\$54,537	\$35,943	\$18,594
Special Revenue	23,920	19,525	4,395
Capital Projects	0	353,231	(353,231)
Enterprise	113,460	100,663	12,797

**VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

3. BUDGETARY ACTIVITY - (continued)

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$39,045	\$45,845	\$6,800
Special Revenue	35,265	27,053	(8,212)
Capital Projects	0	43,717	43,717
Enterprise	130,315	115,371	(14,944)

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General	\$78,916	\$53,959	\$24,957
Special Revenue	26,247	21,655	4,592
Capital Projects	0	43,717	(43,717)
Enterprise	123,501	110,329	13,172

4. PROPERTY TAXES

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

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

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

**VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries during the years. For 2006, OPERS members contributed 9% of their wages. The Village contributed an amount equal to 13.70% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2006 and 2005.

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan #CN809	\$ 37,187	0.00%
OPWC Loan #CN26A	27,810	0.00%
OPWC Loan #CN27C	47,426	0.00%
Case Backhoe Lease	<u>3,503</u>	0.00%
	<u>\$ 115,926</u>	

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

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

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

The Case Backhoe Lease was issued for the water department's purchase of a backhoe. The original lease amount was \$39,428 and was issued in 2002 to be repaid in five annual installments.

The Ohio Public Works Commission (OPWC) Loan #CT45G project was terminated. The Village did not receive or expend any funds for the project.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

6. DEBT - (continued)

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

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

Year Ending December 31	OPWC Loan #CN809	OPWC Loan #CN26A	OPWC Loan #CN27C	Case Backhoe Lease
2007	\$4,375	\$2,318	\$2,874	\$3,503
2008	4,375	2,318	2,874	0
2009	4,375	2,318	2,874	0
2010	4,375	2,318	2,874	0
2011	4,375	2,318	2,874	0
2012-2016	15,312	9,272	14,372	0
2017-2021	0	6,948	14,372	0
2022-2026	0	0	4,312	0
Total	\$37,187	\$27,810	\$47,426	\$3,503

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan, an unincorporated non-profit association over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage and reinsures these coverage's 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

Financial Position – Ohio Government Risk Management Plan's financial statement (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

**VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

7. RISK MANAGEMENT - (continued)

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	(3,329,620)	(2,748,639)
Retained Earnings	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>

The complete audited financial statements for the Ohio Government Risk Management are available a the Plan's website, www.ohioplan.org.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

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

8. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

9. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), certain expenditures were not certified prior to the commitment or obligation being incurred.

Contrary to Ohio Revised Code Section 5705.41 (B), expenditures plus encumbrances exceeded appropriations.

Contrary to Ohio Revised Code Section 5705.40, the Village did not pass supplemental appropriations measures with the same provisions of the law as used in making original appropriations.

10. SUBSEQUENT EVENTS

The Village obtained a five-year loan from Wesbanco Bank on January 30, 2007 in the amount of \$15,307 to provide wireless Internet service to the Village residents. The Village makes monthly payments of \$296. The first payment was made in March 2007. The interest rate is 6%.

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

To the Village Council:

We have audited the financial statements of Village of New Athens, Harrison County, Ohio (Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 20, 2007, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings, items number 2006-NAHCC-01 and 2006-NAHCC-04, to be significant deficiencies in internal control over financial reporting.

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 Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-NAHC-02 through 2006-NAHC-04.

We noted certain matters that we have reported to management of the Village in a separate letter dated September 20, 2007.

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

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

Charles E. Harris & Associates, Inc.
September 20, 2007

VILLAGE OF NEW ATHENS
HARRISON COUNTY
SCHEDULE OF FINDINGS
December 31, 2006 & 2005

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING NUMBER 2006-NAHC-01 Material Weakness

During 2005, The Village recorded homestead and rollback revenue in the tangible property tax and property tax allocation line items in the General Fund and the Police Fund. The homestead and rollback revenue should have been recorded in the intergovernmental revenue line item. This resulted in the understatement of revenue in the intergovernmental revenue line item of \$1,576 in the General Fund and \$1,345 in the Police Fund, respectively.

During 2006, The Village recorded homestead and rollback revenue in the tangible property tax line item in the General Fund and the Police Fund. The homestead and rollback revenue should have been recorded in the intergovernmental revenue line item. This resulted in the understatement of revenue in the intergovernmental revenue line item of \$1,637 in the General Fund and \$1,324 in the Police Fund, respectively.

We recommend that the Village record all homestead and rollback revenue in the appropriate revenue line items. The financial statements have been adjusted to reflect the proper presentation and the Village made the adjustments in its records.

Management agrees and will record the tax revenues in the proper funds.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY
SCHEDULE OF FINDINGS – (continued)
December 31, 2006 & 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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FINDING NUMBER 2006-NAHC-02 Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 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 Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for 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 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 Certificates - Fiscal officers may prepare "blanket" certificates for certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount 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 Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not make the proper certification of funds in 10 of 60 tested transactions during 2005 and 2006.

We recommend that the Village certify funds prior to making expenditures.

Management agrees and plans on attempting to certify all funds prior to making expenditures.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY
SCHEDULE OF FINDINGS – (continued)
December 31, 2006 & 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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FINDING NUMBER 2006-NAHC-03 Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated unless it has been appropriated as provided in such chapter.

During the years ended December 31, 2006 and 2005, the following funds' expenditures plus encumbrances exceeded total appropriations:

2006

Special Revenue Fund
State Grants Fund (\$55)

Capital Project Funds
Grant Construction Fund (\$23,802)
Other Capital Projects Fund (\$19,915)

2005

Capital Project Funds
Grant Construction Fund (\$216,577)
Other Capital Projects Fund (\$137,654)

Since the funds above were cited at the fund level, the legal of control citations were not disclosed.

The Village should monitor appropriations versus expenditures to help avoid overspending and negative cash balances.

Management agrees and will monitor appropriations and expenditures.

FINDING NUMBER 2006-NAHC-04 Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. The section requires that any amendments to an appropriations measure be made by resolution and comply with the same provisions of the law as used in making original appropriations.

The Village passed annual appropriations measures in both years. However, they did not pass any supplemental appropriations measures. Their system's appropriations included supplemental appropriations that were not approved by Village Council.

We recommend that the Village pass supplemental appropriations in the same manner that the annual appropriations measure were passed.

Management agrees and will pass supplemental appropriations.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2006 and 2005**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	Ohio Revised Code Section 5705.41 (D)- Proper certification of funds prior to disbursement	No	Repeated as 2006- NAHC-02
2004-002	Ohio Revised Code Section 733.31 (A)- Vacancies of Elected Positions	Yes	No Longer Valid



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW ATHENS

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**