



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW RIEGEL
SENECA COUNTY

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Mary Taylor, CPA

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 Village 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 26, 2007

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Mary Taylor, CPA

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 year ended December 31, 2006. 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(B) and 115.56 mandate the Auditor of State to audit Ohio Villages. 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 requires 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 year ended December 31, 2006, 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, or its changes in financial position or cash flows of its proprietary funds for the year 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, 2006, and its combined cash receipts and disbursements for the year 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 June 26, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

June 26, 2007

**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, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$20,034			\$20,034
Municipal Income Tax	143,021			143,021
Intergovernmental	68,943	\$14,688	\$1,994,742	2,078,373
Charges for Services	43,840			43,840
Fines, Licenses and Permits	1,095			1,095
Earnings on Investments	2,566	1,100		3,666
Miscellaneous	5,708			5,708
	<u>285,207</u>	<u>15,788</u>	<u>1,994,742</u>	<u>2,295,737</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	69,951			69,951
Leisure Time Activities	378			378
Transportation		44,732		44,732
General Government	115,946			115,946
Capital Outlay	985		3,169,762	3,170,747
	<u>187,260</u>	<u>44,732</u>	<u>3,169,762</u>	<u>3,401,754</u>
Total Cash Disbursements				
Total Receipts Over (Under) Disbursements	<u>97,947</u>	<u>(28,944)</u>	<u>(1,175,020)</u>	<u>(1,106,017)</u>
Other Financing Receipts (Disbursements):				
OWDA Loan Proceeds			1,177,926	1,177,926
Transfers-Out	(100,000)			(100,000)
	<u>(100,000)</u>		<u>1,177,926</u>	<u>1,077,926</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/ (Under) Cash Disbursements and Other Financing Disbursements	(2,053)	(28,944)	2,906	(28,091)
Fund Cash Balances, January 1	495,540	51,668		547,208
Fund Cash Balances, December 31	<u>\$493,487</u>	<u>\$22,724</u>	<u>\$2,906</u>	<u>\$519,117</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, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$30,298
Operating Cash Disbursements:	
Personal Services	3,600
Employee Fringe Benefits	552
Contractual Services	52,496
Supplies and Materials	1,471
Total Operating Cash Disbursements	58,119
Operating Loss	(27,821)
Non-Operating Cash Disbursements:	
Capital Outlay	100,000
Excess of Disbursements Over Receipts Before Interfund Transfers	(127,821)
Transfers-In	100,000
Net Receipts Over Disbursements	(27,821)
Fund Cash Balances, January 1	141,024
Fund Cash Balances, December 31	\$113,203

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, 2006**

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 sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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.

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 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.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 fund:

OWDA Sewer Loan Fund – This fund receives loan proceeds from OWDA. The proceeds 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 Funds:

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

Sewer Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority and grants from the Ohio Public Works Commission to finance a mandated sewer system.

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

A summary of 2006 budgetary activity appears in Note 3.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

	2006
Demand deposits	\$632,320

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$252,755	\$285,207	\$32,452
Special Revenue	23,200	15,788	(7,412)
Capital Projects		3,172,668	3,172,668
Enterprise		130,298	130,298
Total	\$275,955	\$3,603,961	\$3,328,006

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$235,755	\$287,260	(\$51,505)
Special Revenue	25,300	44,732	(19,432)
Capital Projects		3,169,762	(3,169,762)
Enterprise	55,155	158,119	(102,964)
Total	\$316,210	\$3,659,873	(\$3,343,663)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(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, 2006, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 1,288,000	4.11%

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved up to \$1,288,000 in loans to the Village for this project. The Village will repay the loan in one balloon payment due July 1, 2009. As of December 31, 2006, capitalized interest owed by the Village is \$35,487. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

7. RETIREMENT SYSTEM

The Village's employees and officials 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.

VILLAGE OF NEW RIEGEL
SENECA COUNTY

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

7. RETIREMENT SYSTEM – (CONTINUED)

The Ohio Revised Code also prescribes contribution rates. For 2006, OPERS members contributed 9.0 percent of their wages. The Village contributed an amount equal to 13.7 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Direct Assistance</i>			
Surveys, Studies, Investigations and Special Purpose Grants	XP-96578201-0	66.606	\$288,740
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Assistance</i>			
Water and Waste Disposal Systems for Rural Communities	41-074-346711828 Loan	10.760	1,177,926
	41-074-346711828 Grant	10.760	<u>619,632</u>
Total U.S. Department of Agriculture			<u>1,797,558</u>
Total Federal Awards Expenditures			<u><u>\$2,086,298</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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Mary Taylor, CPA

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 year ended December 31, 2006, and have issued our report thereon dated June 26, 2007 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 villages. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of 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 significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in

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accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider items 2006-001 through 2006-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 through 2006-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 26, 2007.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 26, 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.

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



Mary Taylor, CPA
Auditor of State

June 26, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of New Riegel, Seneca County (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village'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; and 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of New Riegel, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The Village's management 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 the Village's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

We noted a certain matter involving the internal control over compliance and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings as item 2006-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider item 2006-004 to be a material weakness.

We intend this report solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 26, 2007

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	GAAP – Adverse Regulatory – Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA # 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2006-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in this chapter.

In 2006, supplemental appropriations were posted to the appropriation ledger by the Fiscal Officer; however there was no evidence that Council adopted a formal resolution adopting the supplemental appropriations. This resulted in expenditures exceeding appropriations as follows:

Fund	Appropriations	Expenditures	Variance
General Fund	\$235,755	\$287,260	\$ (51,505)
Street Construction, Maintenance and Repair Fund	\$23,200	\$44,106	\$ (20,906)
OPWC Grant Fund		\$426,040	\$ (426,040)
ODOD 412 Grant Fund		\$175,081	\$ (175,081)
US Stag Grant Fund		\$288,739	\$ (288,739)
USDA/RD Grant Fund		\$619,632	\$ (619,632)
OWDA Loan Fund		\$1,177,926	\$ (1,177,926)
ODOD CDBG Fund		\$482,344	\$ (482,344)
Sewer Operating Fund	\$5,155	\$5,623	\$ (468)
Sewer Improvement Fund	\$50,000	\$152,496	\$ (102,496)

This situation could allow deficit balance to occur if spending is not limited to appropriations. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. Supplemental appropriations should not be posted to the appropriation ledger until formally approved by Council and evidenced by an ordinance.

Officials Response: The Fiscal Officer will correct this matter in the future.

FINDING NUMBER 2006-002

Material Weakness

Financial Reporting

The review of the financial statements resulted in 38 significant audit adjustments ranging in amounts from \$439 to \$947,364.

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Village handbook's chart of accounts to ensure that all accounts are being posted properly to the financial statements.

**FINDING NUMBER 2006-002
 (Continued)**

These weaknesses resulted in additional audit time to investigate the differences and prepare the audit adjustments.

Officials Response: The Fiscal Officer will correct this matter in the future.

FINDING NUMBER 2006-003

Material Weakness

Financial Report Reviews

Monthly financial reports were not submitted to Council for review and approval during Board meetings. This weakness reduces controls over the monitoring of financial activity and allowed numerous errors to go undetected resulting in several audit adjustments.

We recommend that monthly financial reports (revenues, expenses, budgetary, etc.) be given to Council at monthly Board meetings. Any reports reviewed should be either signed or initialed to indicate review and approval. The minutes should also reflect approval of monthly reports submitted by the Fiscal Officer.

Officials Response: The Fiscal Officer will correct this matter in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Federal Receipts/Disbursements

Finding Number	2006-004
CFDA Title and Number	Water and Waste Disposal Systems for Rural Communities CFDA #10.760
Federal Award Number / Year	41-074-346711828
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Direct Assistance

Material Weakness

Federal disbursements should be reviewed and approved by Council to assure they are allowable federal disbursements in accordance with OMB Circular A-87. Vouchers for federal disbursements were approved by the project engineer but were not approved by Council and support for the federal disbursements was not attached to the voucher. Separate monthly folders were maintained containing invoices from the federal vendors; however, the invoices contained no indication of the Village's check number. This weakness made it extremely difficult to match invoices paid to disbursements posted to the Village's records. To improve controls over federal disbursements, we recommend that the Fiscal Officer attach supporting documentation to vouchers. Council should then perform a detailed review of the supporting documentation and sign/approve the voucher after review has been completed and determined to be allowable.

**FINDING NUMBER 2006-003
(Continued)**

Federal receipts should be reviewed and approved by Council to assure they are correct amounts and receipts were actually received. No evidence was provided to indicate that Council approved grants received and that federal receipts were reviewed for accuracy. To improve controls over federal receipts, we recommend that Council review all federal receipts and show review and approval by signatures on supporting documentation, and document such action in the minutes.

Officials Response and Corrective Action Plan: The Fiscal Officer will correct this matter in the future.

**VILLAGE OF NEW RIEGEL
SENECA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Reportable Condition – Financial Reporting	No	Not corrected. Repeated as Finding # 2006-002.
2005-002	Reportable Condition – Financial Report Reviews	No	Not corrected. Repeated as Finding # 2006-003.
2005-003	Noncompliance Citation – Ohio Revised Code 5705.36- Failure to certify total amount available for expenditure.	Yes	
2005-004	Noncompliance Citation – Ohio Revised Code 5705.41 (B) – Expenditures exceeding appropriations	No	Not corrected. Repeated as Finding # 2006-001.



Mary Taylor, CPA
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
JULY 24, 2007**