

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY  
Regular Audit  
December 31, 2007 and 2006**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Old Washington  
P.O. Box 268  
Old Washington, OH 43768

We have reviewed the *Independent Accountants' Report* of the Village of Old Washington, Guernsey County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 29, 2008

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**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

September 26, 2008

Village of Old Washington  
Guernsey County  
P.O. Box 268  
Old Washington, OH 43768

To the Village Council:

We have audited the accompanying financial statements of the **Village of Old Washington, Guernsey County, Ohio**, (the Village) as of and for the years ended December 31, 2007 and 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. 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. 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, 2007 and 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, 2007 and 2006 or their changes in financial position 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 Old Washington, Guernsey County, as of December 31, 2007 and 2006, 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, 2007 and 2006. 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 26, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$ 13,452	\$ -	\$ -	\$ -	\$ 13,452
Intergovernmental	16,977	15,600	2,844	-	35,421
Charges for Services	-	5,100	-	-	5,100
Earnings on Investments	820	552	-	468	1,840
Miscellaneous	727	848	-	-	1,575
	<u>31,976</u>	<u>22,100</u>	<u>2,844</u>	<u>468</u>	<u>57,388</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,220	-	-	-	1,220
Public Health Services	39	7,450	-	-	7,489
Leisure Time Activities	-	235	-	-	235
Basic Utility Service	5,566	-	-	-	5,566
Transportation	338	15,497	-	-	15,835
General Government	12,949	-	-	-	12,949
Capital Outlay	-	-	408	-	408
Debt Service:					
Redemption of Principal	-	5,758	-	-	5,758
Interest and Fiscal Charges	-	1,694	-	-	1,694
	<u>20,112</u>	<u>30,634</u>	<u>408</u>	<u>-</u>	<u>51,154</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Disbursements	<u>11,864</u>	<u>(8,534)</u>	<u>2,436</u>	<u>468</u>	<u>6,234</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	-	1,468	-	-	1,468
Transfers-Out	(1,000)	-	-	(468)	(1,468)
	<u>(1,000)</u>	<u>1,468</u>	<u>-</u>	<u>(468)</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements):</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,864	(7,066)	2,436	-	6,234
Fund Cash Balances, January 1	<u>18,396</u>	<u>18,785</u>	<u>4,607</u>	<u>24,050</u>	<u>65,838</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 29,260</b></u>	<u><b>\$ 11,719</b></u>	<u><b>\$ 7,043</b></u>	<u><b>\$ 24,050</b></u>	<u><b>\$ 72,072</b></u>

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



**VILLAGE OF OLD WASHINGTON  
GUERNSEY 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>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$ 16,284	\$ -	\$ -	\$ -	\$ 16,284
Intergovernmental	13,210	21,553	5,660	-	40,423
Charges for Services	-	6,325	-	-	6,325
Earnings on Investments	764	509	-	425	1,698
Miscellaneous	716	563	-	-	1,279
<b>Total Cash Receipts</b>	<u>30,974</u>	<u>28,950</u>	<u>5,660</u>	<u>425</u>	<u>66,009</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	800	-	-	-	800
Public Health Services	99	7,317	-	-	7,416
Leisure Time Activities	-	766	-	-	766
Basic Utility Service	5,447	-	-	-	5,447
Transportation	291	10,415	-	-	10,706
General Government	11,993	-	-	-	11,993
Capital Outlay	10,000	10,039	3,060	-	23,099
Debt Service:					
Redemption of Principal	-	5,532	-	-	5,532
Interest and Fiscal Charges	-	1,974	-	-	1,974
<b>Total Cash Disbursements</b>	<u>28,630</u>	<u>36,043</u>	<u>3,060</u>	<u>-</u>	<u>67,733</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>2,344</u>	<u>(7,093)</u>	<u>2,600</u>	<u>425</u>	<u>(1,724)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds from Sale of Asset	7,000	-	-	-	7,000
Transfers-In	-	425	-	-	425
Transfers-Out	-	-	-	(425)	(425)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>7,000</u>	<u>425</u>	<u>-</u>	<u>(425)</u>	<u>7,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,344	(6,668)	2,600	-	5,276
Fund Cash Balances, January 1	9,052	25,453	2,007	24,050	60,562
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 18,396</u></u>	<u><u>\$ 18,785</u></u>	<u><u>\$ 4,607</u></u>	<u><u>\$ 24,050</u></u>	<u><u>\$ 65,838</u></u>

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

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Old Washington, Guernsey County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general governmental services, including road and bridge maintenance, street lighting, park operations (leisure time activities), cemetery maintenance, and fire protection services. The Village contracts with the Old Washington Volunteer Fire Department to provide fire 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 or permitted by the Auditor of State.

**C. Cash and Cash Equivalents**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer and is classified as a cash equivalent.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

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

Cemetery Fund – This fund receives money from the selling of cemetery lots and the opening and closing of graves for general maintenance and operation of the cemetery.

Park and Recreation Fund – This fund receives donations for the general maintenance and operation of the Village's park.

FEMA Fund – This fund receives FEMA grant monies. The monies are being used for street repairs and improvements.

**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 project Fund:

Issue II Fund – This fund receives Issue II grant monies. The monies are being used for street improvements.

**4. Permanent Funds**

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund was created to invest principal and create interest revenue for the cemetery operating fund.

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006  
(Continued)**

**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, and object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$35,316	\$30,886
STAR Ohio	<u>36,756</u>	<u>34,952</u>
Total deposits	<u>\$72,072</u>	<u>\$65,838</u>

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006  
(Continued)**

**2. EQUITY IN POOLED CASH (Continued)**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 31,490	\$ 31,976	\$ 486
Special Revenue	22,000	23,568	1,568
Capital Projects	3,000	2,844	(156)
Total	<u>\$ 56,490</u>	<u>\$ 58,388</u>	<u>\$ 1,898</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 23,927	\$ 21,112	\$ 2,815
Special Revenue	25,910	30,634	(4,724)
Capital Projects	3,000	408	2,592
Total	<u>\$ 52,837</u>	<u>\$ 52,154</u>	<u>\$ 683</u>

**2006 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,361	\$ 37,974	\$ 8,613
Special Revenue	18,900	29,375	10,475
Capital Projects	3,000	5,660	2,660
Total	<u>\$ 51,261</u>	<u>\$ 73,009</u>	<u>\$ 21,748</u>

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 14,422	\$ 28,630	\$ (14,208)
Special Revenue	19,765	36,043	(16,278)
Capital Projects	2,100	3,060	(960)
Total	\$ 36,287	\$ 67,733	\$ (31,446)

Contrary to Ohio Rev. Code Section 5705.39, in 2006, expenditures exceeded appropriations in the General, Street Construction, Maintenance and Repair, State, Park, Christmas, Issue II and FEMA funds. In 2007, expenditures in the General, State, FEMA and Issue II funds exceeded appropriations.

Contrary to Ohio Rev. Code Section 5705.41 (D), the Village did not obtain any certification of availability of funds for expenditure during 2007 and 2006.

Contrary to Ohio Revised Code Section 5705.14, the Village transferred money from the Cemetery Endowment Fund without legislative approval.

**4. DEBT**

Debt Outstanding as of 12/31/07:	<u>Principle</u>	<u>Interest</u>
Kansas State Bank	\$25, 511	\$4,359

In 2003, the Village entered into a loan agreement with Peoples Bank to purchase a truck to be used for Village operations. The payments were made annually as the agreement specified, and the loan was paid off in November 2007.

In 2003, the Village entered into a lease agreement for a backhoe with CNH Capital to be used for Village business. In December 2005, the Village refinanced that lease with Kansas State Bank when they entered into a new lease purchase agreement for a dump truck with Kansas State Bank. The Village has no current obligation to CNH Capital.

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006  
(Continued)**

**4. DEBT (Continued)**

Amortization of the above debt is scheduled as follows:

<u>Year Ending</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total</u>
2008	\$ 1,403	\$ 4,571	\$ 5,974
2009	1,151	4,822	5,974
2010	886	5,088	5,974
2011	607	5,367	5,974
2012	311	5,662	5,974
<b>Total</b>	<b>\$ 4,359</b>	<b>\$ 25,511</b>	<b>\$ 29,869</b>

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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.

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of PERS contributed 9.5% (2007) and 9% (2006) of their gross salaries. The Village contributed an amount equal to 13.85% (2007) and 13.7% (2006) of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

The Village withheld Social Security, Medicare, Federal and State withholding taxes from employee paychecks but never remitted these taxes to the Internal Revenue Service.

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006  
(Continued)**

**7. RISK MANAGEMENT**

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 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 retains 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.

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Member's Equity	\$ 6,862,902	\$ 6,290,528

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



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

September 26, 2008

Village of Old Washington  
Guernsey County  
P.O. Box 268  
Old Washington, OH 43768

To the Village Council:

We have audited the financial statements of the **Village of Old Washington, Guernsey County, Ohio** (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 26, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control: 2007-001 through 2007-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies 2007-001 and 2007-002 described above are material weaknesses.

We also noted one internal control matter that we reported to the Village's management in a separate letter dated September 26, 2008.

### **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 the following instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-003 through 2007-008.

In a separate letter to the Village's management dated September 26, 2008, we reported other matter related to noncompliance we deemed immaterial.

This report is intended solely 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.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Significant Deficiency /Material Weakness**

**Accurate Records**

The Village should maintain adequate financial and budgetary records to provide ongoing and timely information. The Village does maintain a cashbook, receipts ledger, and disbursement ledger as required. The Clerk also maintains budgetary data throughout the year, which facilitates accurate and timely actual to budget comparisons. However, the cashbook was not reconciled to the bank accounts. The unreconciled differences were due to errors in postings which have been corrected but resulted in audit reclassifications and adjustments. Also, some of the current fund status amounts reported in the minutes do not match the amounts in the cashbook.

We recommend that the Clerk post all cash receipts and disbursements to the summary of receipts and disbursements and to the current fund status reported in the minutes. We also recommend that the Clerk reconcile the cashbook to the monthly bank reconciliations each month.

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

**FINDING NUMBER 2007-002**

**Significant Deficiency /Material Weakness**

**Posting Receipts and Expenditures**

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2007 and 2006, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. For example, various intergovernmental revenues and sale of asset proceeds were not posted into the correct receipt classification. In addition, the expenditures for the debt payments were posted to the Transportation expense. This resulted in several reclassification entries being made to the financial statements.

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

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

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003**

**Noncompliance Citation**

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

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

1. "Then and Now" certificate - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council members) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current 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. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

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

**FINDING NUMBER 2007-003  
(Continued)**

**Ohio Revised Code § 5705.41(D)(1) (Continued)**

The Village did not obtain prior certification for any expenditure made during 2007 or 2006.

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

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

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.38** states that on or about the first day of each fiscal year, an appropriation measure is to be passed. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed said official certificate.

It appears that an appropriation measure was approved by the Village Council in 2006, but there was no evidence to indicate that it was submitted to the County Auditor. In 2007, an appropriation measure was both approved by the Village Council and submitted to the County Auditor. However, the Village received a certificate from the County Auditor stating that the appropriations exceeded estimated annual receipts, making the appropriation measure noneffective under Ohio Revised Code Section 5705.39.

We recommend the Village Council approve an appropriation measure on or about the first of the year that doesn't exceed estimated annual receipts, and submit it to the County Auditor by the same date.

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

**FINDING NUMBER 2007-005**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(B)** states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-005 (Continued)**

In 2006, expenditures exceeded appropriations in the General, Street Construction, Maintenance and Repair, State, Park, Christmas, Issue II and FEMA funds. In 2007, expenditures exceeded appropriations in the General, State, FEMA and Issue II funds.

We recommend that the Village Council approve an appropriation measure on or about the first of the year, and submit it to the County Auditor by the same date. We also recommend that the Village file a new amended official estimate of resources if the appropriations measure exceeds the initial official estimate of resources.

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

**FINDING NUMBER 2007-006**

**Noncompliance Citation**

**26 U.S.C. Section 3403** states that employers are liable for payment of taxes that they are required to deduct and withhold. The Village withheld federal, state, Medicare, and Social Security taxes from employee's wages but did not remit either the employee's or employer's share of these taxes to the Internal Revenue Service.

We recommend that the Village remit the employee and required employer share of federal, state, Medicare, and Social Security taxes quarterly to the IRS through form 941. It is our understanding that the Village is currently in contact with the IRS in an attempt to remedy this situation.

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

**FINDING NUMBER 2007-007**

**Noncompliance Citation**

**Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16** state in part that money may be transferred from the General Fund to any other fund of the subdivision by resolution of the taxing authority. Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with affirmative vote of two-thirds of the members and with the approval of the Tax Commissioner and the Court of Common Pleas.

In 2006 and 2007, the Village transferred \$425 and \$468, respectively, from the Cemetery Endowment Fund to the Street, Maintenance and Repair and State funds without the approval of the court of common pleas.

We recommend the Village obtain court of common pleas approval for transfers from funds other than the General Fund.

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

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 and 2006**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2007-008**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2007, total appropriations exceeded total estimated resources in the State, FEMA and Issue II funds.

The Village should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources.

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

**VILLAGE OF OLD WASHINGTON  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 and 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	Ohio Rev. Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.	No	Not Corrected; Reissued as finding number 2007-003.
2005-002	Ohio Rev. Code Section 5705.38 appropriations measure must be passed and certified by the County Auditor	No	Partially Corrected; Reissued as finding 2007-004.
2005-003	Ohio Rev. Code Section 5705.41(B) Prohibits a subdivision or taxing authority from expending money unless it has been appropriated	No	Partially Corrected; Reissued as finding 2007-005.
2005-004	26 U.S.C. states that employers are liable for the payment of the taxes deducted and withheld.	No	Not Corrected; Reissued as finding 2007-006.
2005-005	Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 state that transfers can only be made with proper approval.	No	Not Corrected; Reissued as finding 2007-007.
2005-006	Accounting records are not maintained in an accurate, timely fashion.	No	Partially Corrected; Reissued as finding 2007-001.





**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF OLD WASHINGTON

GUERNSEY 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 13, 2008