

VILLAGE OF NEW ATHENS

HARRISON COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2008 & 2007

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, 2007 through December 31, 2008. 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

June 12, 2009

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VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2008 & 2007

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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, 2008 & 2007. 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, 2008 & 2007. Instead of the combined funds the accompanying financial statements present for 2008 & 2007, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2008 & 2007. 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, 2008 & 2007, 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, 2008 & 2007, 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, 2008 & 2007, 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, 2008 & 2007. 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 May 28, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.
May 28, 2009

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, 2008

	<u>Governmental Fund Types</u>		(Memorandum
	<u>General</u>	<u>Special Revenue</u>	Only) <u>Total</u>
RECEIPTS:			
Property and Local Taxes	\$ 15,740	\$ 2,854	\$ 18,594
Intergovernmental	28,856	18,388	47,244
Special Assessments	744	-	744
Fines, Licenses and Permits	4,867	-	4,867
Earnings on Investments	47	48	95
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	50,254	21,290	71,544
DISBURSEMENTS:			
Security of Persons and Property	18,908	7,661	26,569
Public Health Services	409	-	409
Transportation	-	8,889	8,889
General Government	23,050	205	23,255
Debt Service:			
Retirement of Principal	2,856	-	2,856
Interest and Fiscal Charges	691	-	691
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,914	16,755	62,669
Cash Receipts Over/(Under) Cash Disbursements	4,340	4,535	8,875
Fund Cash Balance, January 1, 2008	15,607	34,573	50,180
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Fund Cash Balance, December 31, 2008	\$ 19,947	\$ 39,108	\$ 59,055
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31, 2008	\$ 3,175	\$ 1,128	\$ 4,303
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See Accompanying Notes to the Financial Statements

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2008

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 108,628
Total Operating Cash Receipts	108,628
 OPERATING CASH DISBURSEMENTS	
Personal Services	19,482
Employee Fringe Benefits	3,246
Contractual Services	77,422
Materials and Supplies	2,454
Total Operating Cash Disbursements	102,604
Operating Income (Loss)	6,024
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Debt Service:	
Retirement of Principal	(4,783)
Total Non Operating Cash Receipts (Disbursements)	(4,783)
 Excess of Cash Receipts Over/(Under) Cash Disbursements	1,241
Fund Cash Balance, January 1, 2008	31,525
Fund Cash Balance, December 31, 2008	\$ 32,766
Reserves for Encumbrances, December 31, 2008	\$ 2,835

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, 2007

	<u>Governmental Fund Types</u>		(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
RECEIPTS:			
Property and Local Taxes	\$ 16,171	\$ 3,548	\$ 19,719
Intergovernmental	26,828	18,689	45,517
Charges for Services	3,800	-	3,800
Fines, Licenses and Permits	3,647	-	3,647
Earnings on Investments	36	36	72
Miscellaneous	-	59	59
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	50,482	22,332	72,814
DISBURSEMENTS:			
Security of Persons and Property	15,113	4,903	20,016
Public Health Services	251	-	251
Transportation	-	6,622	6,622
General Government	27,791	147	27,938
Capital Outlay	15,307	-	15,307
Debt Service:			
Retirement of Principal	2,481	-	2,481
Interest and Fiscal Charges	1,548	-	1,548
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	62,491	11,672	74,163
Cash Receipts Over/(Under) Cash Disbursements	(12,009)	10,660	(1,349)
Other Financing Sources (Uses):			
Proceeds of Loan	15,307	-	15,307
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	15,307	-	15,307
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	3,298	10,660	13,958
Fund Cash Balance, January 1, 2007 (See Note 10)	12,309	23,913	36,222
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31, 2007	\$ 15,607	\$ 34,573	\$ 50,180
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Reserves for Encumbrances, December 31, 2007	\$ 1,638	\$ 842	\$ 2,480
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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, 2007

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$ <u>114,032</u>
Total Operating Cash Receipts	114,032
 OPERATING CASH DISBURSEMENTS	
Personal Services	20,440
Employee Fringe Benefits	2,247
Contractual Services	63,948
Materials and Supplies	<u>1,851</u>
Total Operating Cash Disbursements	<u>88,486</u>
Operating Income (Loss)	25,546
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Miscellaneous Receipts	1,054
Debt Service:	
Retirement of Principal	(18,149)
Interest and Fiscal Charges	<u>(386)</u>
Total Non Operating Cash Receipts (Disbursements)	<u>(17,481)</u>
 Excess of Cash Receipts Over/(Under) Cash Disbursements	8,065
Fund Cash Balance, January 1, 2007	<u>23,460</u>
Fund Cash Balance, December 31, 2007	\$ <u><u>31,525</u></u>
 Reserves for Encumbrances, December 31, 2007	\$ <u><u>1,993</u></u>

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, 2008 & 2007**

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, 2008 & 2007

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, 2008 & 2007**

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 statements 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, 2008 & 2007

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>2008</u>	<u>2007</u>
Demand Deposits	\$91,821	\$81,705

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, 2008 & 2007 is as follows:

<u>Fund Type</u>	<u>2008 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 40,848	\$ 50,254	\$ 9,406
Special Revenue	12,652	21,290	8,638
Enterprise	109,366	108,628	(738)
	<u>\$ 162,866</u>	<u>\$ 180,172</u>	<u>\$ 17,306</u>

<u>Fund Type</u>	<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 49,089	\$ (49,089)
Special Revenue	-	17,883	(17,883)
Enterprise	-	110,222	(110,222)
	<u>\$ -</u>	<u>\$ 177,194</u>	<u>\$ (177,194)</u>

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007

3. BUDGETARY ACTIVITY - (continued)

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 45,552	\$ 65,789	\$ 20,237
Special Revenue	14,913	22,332	7,419
Capital Projects	-	-	-
Enterprise	109,367	115,086	5,719
	<u>\$ 169,832</u>	<u>\$ 203,207</u>	<u>\$ 33,375</u>

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General	\$ 81,284	\$ 64,129	\$ 17,155
Special Revenue	53,031	12,514	40,517
Capital Projects	568	-	568
Enterprise	146,945	109,014	37,931
	<u>\$ 281,828</u>	<u>\$ 185,657</u>	<u>\$ 96,171</u>

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, 2008 & 2007

5. RETIREMENT SYSTEM

All employees 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 2007, OPERS members contributed 9.5% of their wages. The Village contributed an amount equal to 13.85% of participants' gross salaries during the year. For 2008, OPERS members contributed 10% of their wages. The Village contributed an amount equal to 14% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2008 and 2007.

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
OPWC Loan #CN809	\$ 30,625	0.00%
OPWC Loan #CN26A	24,334	0.00%
OPWC Loan #CN27C	43,114	0.00%
Wesbanco Bank	9,970	6.00%
	\$ 108,043	

Debt in the prior audit report was understated by \$5,079.

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 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%.

VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007

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	Wesbanco WIFI loan
2009	\$4,375	\$2,318	\$2,874	\$3,547
2010	4,375	2,318	2,874	3,547
2011	4,375	2,318	2,874	3,548
2012	4,375	2,318	2,874	
2013	4,375	2,318	2,874	
2014-2018	8,750	12,744	14,372	
2019-2023			14,372	
Total	\$30,625	\$24,334	\$43,114	\$10,642

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's 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.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007**

9. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.38 (A), annual appropriation measure in 2008 was not passed; as such, it also was not in compliance with Ohio Revised Code Section 5705.41(B), expenditures exceeding appropriations. Contrary to Ohio Revised Code Section 5705.39, total appropriations exceeded total estimated resources. Contrary to Ohio Revised Code Section 5705.40, Village did not pass supplemental appropriations measures with the same provisions of the law as used in making original appropriations.

10. FUND BALANCE ADJUSTMENT

In 2006, the Village's fund balance was overstated by \$23,234 because of a double-booked CDBG grant fund received in December 2005. This receipt should not have been originally posted in the General Fund. Also, in 2006, the Village erroneously posted receipts \$568 higher than actually received in the CDBG Grant – Capital Projects Fund causing the fund balance to be overstated.

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total cash</u>
Fund balance, Dec. 31, 2006	\$ 35,543	\$ 568	\$ 83,484
Adjustment to correct overstatement	(23,234)	(568)	(23,802)
Fund balance after adjustment, Jan 1, 2007	<u>\$ 12,309</u>	<u>\$ -</u>	<u>\$ 59,682</u>

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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 the Village of New Athens, Harrison County, Ohio (Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 28, 2009, 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 2008-NAHC-01 through 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 2008-NAHC-01, 02, and 04.

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 also noted certain matters that we have reported to management of the Village in a separate letter dated May 28, 2009.

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.

May 28, 2009

**VILLAGE OF NEW ATHENS
HARRISON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 & 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-NAHC-01 Noncompliance and Material Weakness

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

The Village Officers' Handbook and the UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2007, the Village obtained a \$15,307 loan to provide internet wireless service to the Village. As the loan was disbursed directly to the vendor, the Village did not post the loan proceeds in its books. Also, the payment for the installation was not recorded as capital outlay. The accompanying financial statements were adjusted to record the proceeds of the loan and the installation.

The Village also has loans from OPWC and Wesbanco Bank for its water department. The debt service was recorded as contractual services in the Enterprise fund. The financial statements were adjusted to record the 2007 and 2008 payments as debt service.

During 2007, 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 \$2,945 in the General Fund and \$442 in the Police Fund, respectively.

During 2008, 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 \$4,246 in the General Fund and \$190 in the Police Fund, respectively. The financial statements have been adjusted to reflect the proper presentation.

We recommend that the Village refer to the Officers' Handbook and/or the UAN accounting system to properly classify its accounts. Also, we recommend the Village record all financial activity, regardless of whether the activity flows through its books. We also recommend that the Village record all homestead and rollback revenue in the appropriate revenue line items and at gross amounts.

Management Response:

The Fiscal Officer agrees and will implement proper accounting transactions in the future.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2008 & 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2008-NAHC-02 Noncompliance Citation and Material Weakness

Ohio Revised Code 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

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

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

In 2007, the Village passed an annual appropriation measure. However, they did not pass any supplemental appropriations measures. Their system's appropriations included supplemental appropriations that were not approved by Council.

In 2008, the Village did not pass any appropriation measures, which caused expenditures to exceed appropriations; a violation of Ohio Revised Code Section 5705.41(B).

We recommend that the Village pass annual appropriation measures and supplemental appropriations as deemed necessary.

Management Response:

Management agrees and will pass annual appropriations and supplemental appropriations.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2008 & 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2008-NAHC-03 Material Weakness

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. This includes ensuring that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious, as well as ensuring that all account balances and transactions that should be included in the financial records are included. To achieve these assertions, management should consider the following internal controls:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed;
- Ensuring adequate security of assets and records;
- Planning for adequate segregation of duties or compensating controls;
- Verifying the existence and valuation of assets and periodically reconcile them to the accounting records;
- Performing analytical procedures to determine the reasonableness of financial data; and
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

During 2007 and 2008, the Village closed out its books each month however, it did not properly reconcile their fund balances to their bank balances. At the close of 2007 and 2008, the Village was unreconciled by \$23,234 due to the improper recording of grants received. The fund balance has been adjusted as shown in Note 10 and on the books.

The condition has caused the Village to make financial decisions with inaccurate fund balances. We recommend the Village reconcile their accounting system to the bank balances on a monthly basis.

Management Response:

Management agrees and has made the adjustments in the fund balance.

FINDING NUMBER 2008-NAHC-04 Non-Compliance and Material Weakness

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. In 2007, Village appropriations exceeded estimated resources in the following funds:

General Fund	\$ (23,423)
Special Revenue Fund:	
Street Maintenance and Repair	(9,036)
State Highway	(1,206)
State Grants	(12,465)
Capital Projects Fund: CDBG Grant	(568)
Enterprise Fund: Water	(14,118)

We recommend that the Village pass appropriation measures that do not exceed its estimated resources.

Management Response:

Management agrees and will pass appropriation measures that do not exceed its estimated resources.

**VILLAGE OF NEW ATHENS
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008 and 2007**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-NAHC-01	Homestead and rollback revenue recorded in the Property tax account instead of Intergovernmental.	No	Issued as Finding 2008-NAHC-01
2006-NAHC-02	Ohio Revised Code Section 5705.41 (D)- Fund not properly certified prior to disbursement	No	Partially corrected. Moved to Management Letter
2006-NAHC-03	Ohio Revised Code Section 5705.41 (B) – Expenditures exceeded appropriations	No	Issued as Finding 2008-NAHC-02
2006-NAHC-04	Ohio Revised Code Section 5705.40 – Appropriations not amended or supplemented as necessary	No	Issued as Finding 2008-NAHC-02



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
JUNE 25, 2009**