

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY
Regular Audit
December 31, 2009 and 2008**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

Village Council
Village of Old Washington
P.O. Box 268
Old Washington, Ohio 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, 2008 through December 31, 2009. 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 28, 2010

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VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2008.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12
Schedule of Findings	14
Schedule of Prior Audit Findings	20

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INDEPENDENT ACCOUNTANTS' REPORT

July 26, 2010

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, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008. 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 July 26, 2010, 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 cursive script that reads "Perry & Associates CPAs A.C.".

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, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Local Taxes	\$ 12,812	\$ -	\$ -	\$ -	\$ 12,812
Intergovernmental	15,053	16,570	2,275	-	33,898
Charges for Services	-	6,450	-	-	6,450
Earnings on Investments	579	707	-	-	1,286
Miscellaneous	6,601	907	-	-	7,508
	<u>35,045</u>	<u>24,634</u>	<u>2,275</u>	<u>-</u>	<u>61,954</u>
Total Cash Receipts	35,045	24,634	2,275	-	61,954
Cash Disbursements:					
Current:					
Security of Persons and Property	5,118	-	-	-	5,118
Public Health Services	39	7,234	-	-	7,273
Leisure Time Activities	3,233	1,979	-	-	5,212
Basic Utility Service	580	-	-	-	580
Transportation	1,292	12,240	-	-	13,532
General Government	32,388	-	-	-	32,388
Capital Outlay	-	-	2,191	-	2,191
Debt Service:					
Redemption of Principal	3,652	1,171	-	-	4,823
Interest and Fiscal Charges	870	281	-	-	1,151
	<u>47,172</u>	<u>22,905</u>	<u>2,191</u>	<u>-</u>	<u>72,268</u>
Total Cash Disbursements	47,172	22,905	2,191	-	72,268
Total Cash Receipts Over/(Under) Disbursements	(12,127)	1,729	84	-	(10,314)
Fund Cash Balances, January 1	<u>22,802</u>	<u>20,746</u>	<u>4,857</u>	<u>24,050</u>	<u>72,455</u>
Fund Cash Balances, December 31	<u>\$ 10,675</u>	<u>\$ 22,475</u>	<u>\$ 4,941</u>	<u>\$ 24,050</u>	<u>\$ 62,141</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, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Local Taxes	\$ 14,410	\$ -	\$ -	\$ -	\$ 14,410
Intergovernmental	15,883	14,819	2,275	-	32,977
Charges for Services	-	5,500	-	-	5,500
Earnings on Investments	499	610	-	-	1,109
Miscellaneous	3,789	382	-	-	4,171
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	34,581	21,311	2,275	-	58,167
Cash Disbursements:					
Current:					
Security of Persons and Property	5,210	-	-	-	5,210
Public Health Services	38	7,097	-	-	7,135
Leisure Time Activities	-	960	-	-	960
Basic Utility Service	500	-	-	-	500
Transportation	1,818	13,291	-	-	15,109
General Government	18,435	-	-	-	18,435
Capital Outlay	-	-	4,461	-	4,461
Debt Service:					
Redemption of Principal	3,448	1,123	-	-	4,571
Interest and Fiscal Charges	1,059	344	-	-	1,403
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	30,508	22,815	4,461	-	57,784
Total Cash Receipts Over/(Under) Disbursements	4,073	(1,504)	(2,186)	-	383
Fund Cash Balances, January 1 Restated (Note 9)	18,729	22,250	7,043	24,050	72,072
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 22,802</u>	<u>\$ 20,746</u>	<u>\$ 4,857</u>	<u>\$ 24,050</u>	<u>\$ 72,455</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, 2009 and 2008**

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, 2009 and 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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.

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 I Fund – This fund receives Issue I 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, 2009 and 2008
(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.

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. The Village did not use the encumbrance method of accounting.

A summary of 2009 and 2008 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 DEPOSITS AND INVESTMENTS

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

	2009	2008
Demand deposits	\$ 11,213	\$ 9,624
Certificates of deposit	25,000	-
Other time deposits (savings and NOW accounts)	25,928	25,133
Total deposits	62,141	34,757
STAR Ohio	-	37,698
Total investments	-	37,698
Total deposits and investments	\$ 62,141	\$ 72,455

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,069	\$ 35,045	\$ 2,976
Special Revenue	20,924	24,634	3,710
Capital Projects	2,275	2,275	0
Total	<u>\$ 55,268</u>	<u>\$ 61,954</u>	<u>\$ 6,686</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 22,139	\$ 47,172	\$ (25,033)
Special Revenue	27,287	22,905	4,382
Capital Projects	2,440	2,191	249
Total	<u>\$ 51,866</u>	<u>\$ 72,268</u>	<u>\$ (20,402)</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,837	\$ 34,581	\$ 7,744
Special Revenue	22,550	21,311	(1,239)
Capital Projects	2,275	2,275	0
Total	<u>\$ 51,662</u>	<u>\$ 58,167</u>	<u>\$ 6,505</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 27,405	\$ 30,508	\$ (3,103)
Special Revenue	27,050	22,815	4,235
Capital Projects	2,440	4,461	(2,021)
Total	<u>\$ 56,895</u>	<u>\$ 57,784</u>	<u>\$ (889)</u>

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008
(Continued)**

4. DEBT

Debt outstanding as of 12/31/09 was as follows:

	<u>Principle</u>	<u>Interest Rate</u>
Kansas State Bank	\$16,117	5.5%

In 2005, the Village entered into a loan for a backhoe with Kansas State Bank to be used for Village business. The payments are to made annually in the amount of \$5,974. The loan will mature December, 2012.

Amortization of the above debt is scheduled as follows:

<u>Year Ending</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total</u>
2010	\$ 886	\$ 5,088	\$ 5,974
2011	607	5,367	5,974
2012	311	5,662	5,974
Total	\$ 1,804	\$ 16,117	\$ 17,922

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.

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 Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, members of OPERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008
(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. Effective November 1, 2009, the Plan retained 17.5% of the premium and losses on the first \$250,000 casualty losses and 10% of the first \$1,000,000 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$ 11,176,186	\$ 9,709,000
Liabilities	(4,852,485)	(4,612,000)
Member's Equity	<u>\$ 6,323,701</u>	<u>\$ 5,097,000</u>

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

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed cost may require refunding to the grantor. Management is currently working with FEMA to determine the amount of assistance to be refunded. Amounts which may be disallowed, if any, are not presently determinable.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008
(Continued)**

9. RESTATEMENT OF BEGINNING FUND BALANCES

Debt is paid from various funds including the general, street construction and maintenance, state highway, cemetery operating and motor vehicle license tax funds. The Village incorrectly recorded all payments from the street construction and maintenance and state highway funds. The correction of this error had the following effect on fund balances at December 31, 2007:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund balance at December 31, 2007 as previously stated	\$ 29,260	\$ 11,719
Correction for error in debt payment accounting	<u>(10,531)</u>	<u>10,531</u>
Fund balance at December 31, 2007, restated	<u>\$ 18,729</u>	<u>\$ 22,250</u>

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

July 26, 2010

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, 2009 and 2008, and have issued our report thereon dated July 26, 2010, 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 designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-003 described in the accompanying schedule of findings to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-004 through 2009-007 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-002 through 2006-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 26, 2010

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

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, 2009 and 2008

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

FINDING NUMBER 2009-001

Material Weakness

Posting Receipts and Expenditures

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

During 2009 and 2008, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. For example, various intergovernmental revenues were not posted into the correct receipt classification and garnished local government revenue was not recorded on the books. In addition, expenditures for the debt payments were posted to the Transportation expense not principal and interest, wages were overstated (posted at gross not net), transfers were not included on the revenue or expense ledgers, AOS fees and IRS payments were not recorded on the expense ledger. This resulted in several audit and reclassification entries being made to the financial statements. In addition, inaccurate recording of debt payments in prior years resulted in a prior period adjustment to several funds. The accompanying financial statements include all adjustments and reclassifications.

We recommend the Fiscal Officer 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. If a transaction is unusual, we recommend the Fiscal Officer contact the Auditor of State to find out how to account for the transaction.

In addition, we recommend Council establish procedures to review all expenditures for proper coding, which may include having the account number and description included on the Voucher sheet and having Council sign off on the Voucher. Because the Village uses a manual accounting system, Council should establish a procedure for reconciliation of the cash journal to the revenue and expense ledgers. The reconciliation should be performed by the Fiscal Officer and reviewed and signed off on by Council. In addition, Council should review and sign off on the bank reconciliation monthly to make sure the Village records agree to the bank statement.

Management's Response – Since a manual system has been in place for the last ten years, council has been given a financial report with receipts and expenses to review each month at council meeting, then after a motion and second to approve the financial report the mayor, council and fiscal officer does sign each month. Starting with the September 2010 financial report as suggested council will establish a policy that they will look at where each receipt and expense has been posted. Also, in addition council will establish a policy that a council member will sign off the bank reconciliation report that it agrees with the bank statements.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002

Material Weakness/Noncompliance Citation

Transfers

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. Transfers from the general fund require a resolution of the taxing authority passed with affirmative vote of a majority of the members.

In 2008, the Village transferred \$6,900 from the General Fund to the Cemetery Fund (\$5,400) and Park Fund (\$1,500) without the proper resolutions of the Council. In 2009, the Village transferred \$850 from the General Fund to the Park Fund and \$3,950 from the Street Fund to the General Fund (\$3,000) and Cemetery Endowment Fund (\$950). The 2009 transfers were done without resolutions of Council or approval the Tax Commissioner and the Court of Common Pleas. The Village has agreed to, and has recorded, audit adjustments to reverse these transfers and correct the fund balances.

We recommend the Village pass the required resolutions for all transfers, and include this in the minutes of the Council meetings. In addition, the Village should obtain the appropriate approval from the Tax Commissioner and Court when applicable. Transfers are to be included in the budget and should be listed on the information given to Council monthly.

Management's Response – Fund transfers will be within Ohio Revised Code, council will pass a resolution for all transfers signed by council and approved by council to be included in the minutes.

FINDING NUMBER 2007-003

Material Weakness/Noncompliance Citation

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.14, 5705.15 and 5705.16 relating to transfers;
- Violations of 5705.36 relating to certification of estimated resources and beginning balances;
- Violations of 5705.38 relating to passing appropriations measures and legal level of budgetary control;
- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;

VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008

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

FINDING NUMBER 2007-003
(Continued)

Budgetary Controls (Continued)

- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

In addition the Village does not have an accounting system that provides the Council with necessary budgetary information such as amounts encumbered and remaining unencumbered balances. The encumbrance method of accounting is required for the Village and this enables Council to see how much uncommitted funds are available to spend.

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations. Council also has not assured that the accounting system is adequate to incorporate budgetary requirements.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Council should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If the Council does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – Again, since the Village is on a manual system, council does go over receipts/expenses vs. budget numbers every month during council meetings. This might not be done at every council meeting in years past, but for 2010 council has reviewed during each meeting. Also, during this finding a request for use of purchase orders be used, this will start with the last quarter of the year.

VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008

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

FINDING NUMBER 2007-004

Significant Deficiency/Noncompliance Citation

Ohio Admin. Code §117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code §117-2-02(C)(1) provides that all public offices should integrate the budgetary account, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. Ohio Admin. Code Section 117-2-02(C)(2) provides that purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts as required by 5705.41(D) of the Revised Code.

Ohio Admin. Code §117-2-02(D)(1) provides that a cash journal, which typically contains the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction, should be used.

Ohio Admin. Code §117-2-02(D)(2) provides that a receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses, should be used. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

Ohio Admin. Code §117-2-02(D)(3), provides that an appropriation ledger, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution should be used. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

During our audit we noted the following:

1. The Village uses excel for the cash journal. The journal shows the amount, date, receipt number, check number and payer/payee but does not include the account code.
2. The receipt ledger is not a detailed ledger but a summary ledger based on the total revenue by line item for the month. Each month is listed and all line items are included.
3. The appropriation ledger is not a detailed ledger but is a summary ledger based on the total disbursements by line item for the month. Each month is listed and all line items are included.
4. Numerous disbursement transactions were posted to the cashbook, but were not posted to the appropriations ledger.
5. The Village does not encumber funds and the budgetary process is not integrated with the accounting system. Budgeted receipt amounts as approved by the Council did not correspond to the amounts on the certificate of estimated resources obtained from the County Budget Commission. The appropriation measures, as approved by Council, did not correspond to the appropriations sent to the County Budget Commission.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2007-004
(Continued)**

Ohio Admin. Code §117-2-02 (Continued)

Our review of the ledgers and cash journal indicates there are errors in the summaries (i.e., cash journal beginning balance plus total revenues less total disbursements did not equal ending cash balances). We also noted the ledgers are not automated (linked) and are not reconciled monthly by the Fiscal Officer. The Village's system does not allow for the integration of the budgetary requirements of ORC. Because of the system used, the Council may not be receiving accurate and complete information.

We recommend the Village evaluate the necessity to computerize the accounting system. This will cut down on errors made by manual input and will ensure all activity is included in the revenue and disbursement ledgers. It will also enable the Village to comply with several budgetary requirements (encumbrance accounting and certifying availability of funds).

Management's Response – This finding will be best fixed once the Village has gotten on the UAN, for the year 2010 financial statements the Village will still be on the manual system, but the paperwork has been started to get the Village on the UAN for the year 2011.

FINDING NUMBER 2007-005

Significant Deficiency/Noncompliance Citation

Ohio Rev. Code § 5747.07(B) states, if an employer's actual or required payments were less than two thousand dollars during the twelve-month period ending on the thirtieth day of June of the preceding calendar year, an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.

We can find no evidence that state taxes withheld during 2008 were remitted to the State. There were no state taxes withheld in 2009.

We recommend the Village review the payroll files for previous years to determine when and if, the last payment for state taxes withheld was made. In addition the Village should contact the State to find out how to make payments that are due. This may include penalties and interest for late payment. We also recommend Council monitor the payroll process to make sure all withholding are remitted to the proper authority in a timely manner.

Management's Response – Payroll taxes for the year 2008 not remitted to the state. The issue of no state taxes withheld for the 2009 all employees were paying into PERS so nothing was withheld from the employees. The fiscal officer will contact the state tax office to see about remitting taxes withheld totaling \$30.84 from the employee.

VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008

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

FINDING NUMBER 2007-006

Significant Deficiency/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 for the years 2000 - 2008.

The Village paid all back taxes for federal withholdings in 2009 and has remitted for 2009 although payment for the third quarter was late. We did not see any evidence that state withholdings have been remitted to the State.

We recommend the Council establish a process to ensure payroll taxes are being remitted correctly and timely. A member of Council or the Mayor should review the payroll function quarterly. Lack of monitoring in this area has caused the Village to pay unnecessary late fees, interest and penalties (\$175 for 2008 alone).

Management's Response – The above finding refers to the state tax issues, the Village has caught up with all other taxes such as 941 – Quarterly. Currently all employees are paid up with OH PERS as the issue has been fixed since Jan 2010, and the Village is currently paying online with OH PERS.

FINDING NUMBER 2007-007

Significant Deficiency/Noncompliance Citation

Rule 145-1-27 Remittance of employer liabilities states in part: beginning on January 1, 2008, employer liabilities shall be received by the retirement system not later than the thirtieth day after the last day of the calendar month for which related member contributions are withheld. The Ohio Public Employees Retirement Systems requires employers to remit employee portions monthly.

For 2008 the payments for the employee portions were made timely; however the employer share was not calculated and paid to OPERS by the due date. Late payments ranged from a few days to three months late. For 2009 neither the employee nor employer shares were remitted timely. In fact, the Village appears to owe approximately \$1,500 in employee and employer contributions as of December 31, 2009.

We recommend the Village establish a process to remit the employee and employer contributions monthly. The Council also needs to establish a monitoring process to make sure the remittance has been made accurately and timely.

Management's Response – Reference the above findings as this finding has not been an issue for the year 2010.

**VILLAGE OF OLD WASHINGTON
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Accounting records are not accurate.	No	Reissued as finding number 2009-001.
2007-002	Transactions should be posted in accordance with OAC Section 117-7-01	No	Reissued as finding number 2009-001.
2007-003	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	Moved to Management Letter.
2007-004	Ohio Rev. Code Section 5705.38 appropriations measure must be passed and certified by the County Auditor.	No	Moved to Management Letter.
2007-005	Ohio Rev. Code Section 5705.41(B) Prohibits a subdivision or taxing authority from expending money unless it has been appropriated.	No	Moved to Management Letter.
2007-006	26 U.S.C. states that employers are liable for the payment of the taxes deducted and withheld.	No	Partially Corrected; Reissued as finding 2009-006.
2007-007	Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 state that transfers can only be made with proper approval.	No	Reissued as finding number 2009-002.
2007-008	Ohio Rev. Code Section 5705.39 appropriations cannot exceed estimated resources.	No	Moved to Management Letter.

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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 9, 2010**