



Dave Yost • Auditor of State



VILLAGE OF NEW ATHENS  
HARRISON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of New Athens  
Harrison County  
P.O. Box 126  
New Athens, Ohio 43981

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Village of New Athens, Harrison County, Ohio (Village), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of New Athens, Harrison County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 26, 2013

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$19,434	\$4,779		\$24,213
Intergovernmental	21,552	16,871		38,423
Fines, Licenses and Permits		9,855		9,855
Earnings on Investments	61			61
Miscellaneous	504			504
<i>Total Cash Receipts</i>	<u>41,551</u>	<u>31,505</u>		<u>73,056</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	9,580	4,822		14,402
Transportation		31,319		31,319
General Government	13,829		\$27	13,856
Capital Outlay			94,975	94,975
<i>Total Cash Disbursements</i>	<u>23,409</u>	<u>36,141</u>	<u>95,002</u>	<u>154,552</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,142</u>	<u>(4,636)</u>	<u>(95,002)</u>	<u>(81,496)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			94,975	94,975
Other Financing Sources	834	4,500		5,334
Other Financing Uses	(6,726)			(6,726)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,892)</u>	<u>4,500</u>	<u>94,975</u>	<u>93,583</u>
<i>Net Change in Fund Cash Balances</i>	12,250	(136)	(27)	12,087
<i>Fund Cash Balances, January 1</i>	<u>(1,769)</u>	<u>29,300</u>	<u>27</u>	<u>27,558</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		29,164		29,164
Unassigned (Deficit)	10,481			10,481
<i>Fund Cash Balances, December 31</i>	<u>\$10,481</u>	<u>\$29,164</u>	<u>\$0</u>	<u>\$39,645</u>

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

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$123,668
<i>Total Operating Cash Receipts</i>	123,668
<b>Operating Cash Disbursements</b>	
Personal Services	16,327
Employee Fringe Benefits	3,136
Contractual Services	6,896
Supplies and Materials	19,308
<i>Total Operating Cash Disbursements</i>	45,667
<i>Operating Income (Loss)</i>	78,001
<b>Non-Operating Receipts (Disbursements)</b>	
Principal Retirement	(9,567)
Other Financing Uses	(63,805)
<i>Total Non-Operating Receipts (Disbursements)</i>	(73,372)
<i>Net Change in Fund Cash Balances</i>	4,629
<i>Fund Cash Balances, January 1</i>	78,089
<i>Fund Cash Balances, December 31</i>	\$82,718

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



**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$18,324	\$5,239		\$23,563
Intergovernmental	24,408	18,143		42,551
Fines, Licenses and Permits	1,349	100		1,449
Earnings on Investments	67	38		105
Miscellaneous	3,784			3,784
<i>Total Cash Receipts</i>	<u>47,932</u>	<u>23,520</u>		<u>71,452</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	15,116	8,060		23,176
Public Health Services	4,337			4,337
Transportation		23,289		23,289
General Government	33,995		\$15,500	49,495
Capital Outlay			70,760	70,760
<i>Total Cash Disbursements</i>	<u>53,448</u>	<u>31,349</u>	<u>86,260</u>	<u>171,057</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,516)</u>	<u>(7,829)</u>	<u>(86,260)</u>	<u>(99,605)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			35,852	35,852
<i>Total Other Financing Receipts (Disbursements)</i>			<u>35,852</u>	<u>35,852</u>
<i>Net Change in Fund Cash Balances</i>	(5,516)	(7,829)	(50,408)	(63,753)
<i>Fund Cash Balances, January 1</i>	<u>3,747</u>	<u>37,129</u>	<u>50,435</u>	<u>91,311</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		29,300	27	29,327
Unassigned (Deficit)	(1,769)			(1,769)
<i>Fund Cash Balances, December 31</i>	<u>(\$1,769)</u>	<u>\$29,300</u>	<u>\$27</u>	<u>\$27,558</u>

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

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$110,857
<i>Total Operating Cash Receipts</i>	110,857
<b>Operating Cash Disbursements</b>	
Personal Services	16,484
Employee Fringe Benefits	1,585
Contractual Services	52,379
Supplies and Materials	1,818
<i>Total Operating Cash Disbursements</i>	72,266
<i>Operating Income (Loss)</i>	38,591
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	30
Principal Retirement	(4,783)
Other Financing Uses	(7,887)
<i>Total Non-Operating Receipts (Disbursements)</i>	(12,640)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	25,951
<i>Net Change in Fund Cash Balances</i>	25,951
<i>Fund Cash Balances, January 1</i>	52,138
<i>Fund Cash Balances, December 31</i>	\$78,089

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

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Athens, Harrison County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. 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 participates in the Ohio Plan Risk Management public entity risk pool. Note 7 to the financial statements provides additional information for these entities.

Public Entity Risk Pool:

The Ohio Plan Risk Management is a risk sharing pool available to Ohio governments and provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**C. Fund Accounting (Continued)**

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

Permissive Motor Vehicle License Fund – This fund receives state permissive motor vehicle license tax to maintain Village streets.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Project Fund – This fund receives loan proceeds from the Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). The proceeds are being used for waterline replacement and wastewater system planning and design projects.

**4. Enterprise Funds**

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

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

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**D. Budgetary Process (Continued)**

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**E. Fund Balance**

During 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

*Assigned* fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

*Unassigned* fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**F. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$122,363</u>	<u>\$105,647</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,578	\$42,385	\$3,807
Special Revenue	25,630	36,005	10,375
Capital Projects	95,575	94,975	(600)
Enterprise	100,000	123,668	23,668
Total	<u>\$259,783</u>	<u>\$297,033</u>	<u>\$37,250</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,789	\$30,135	\$14,654
Special Revenue	44,997	36,141	8,856
Capital Projects		95,002	(95,002)
Enterprise	164,801	119,039	45,762
Total	<u>\$254,587</u>	<u>\$280,317</u>	<u>(\$25,730)</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,578	\$47,932	\$9,354
Special Revenue	18,682	23,520	4,838
Capital Projects		35,852	35,852
Enterprise	100,000	110,887	10,887
Total	<u>\$157,260</u>	<u>\$218,191</u>	<u>\$60,931</u>

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,302	\$53,448	\$19,854
Special Revenue	21,968	31,349	(9,381)
Capital Projects		86,260	(86,260)
Enterprise	78,545	84,936	(6,391)
Total	\$173,815	\$255,993	(\$82,178)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Project Fund by \$95,002 for the year ended December 31, 2012; in Street Construction, Maintenance, and Repair Fund by \$1,544, State Highway Fund by \$1,258, Police Levy Fund by \$6,579 Capital Project Fund by \$86,260 and Water Operating Fund by \$6,391 for year ended December 31, 2011.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission (OPWC) Loan # CN809	\$13,125	0%
Ohio Public Works Commission (OPWC) Loan # CN26A	15,064	0%
Ohio Public Works Commission (OPWC) Loan # CN27C	31,618	0%
Ohio Water Development Authority (OWDA) Loan	283,202	0%
Total	\$343,009	

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 water operating receipts collateralize the loan.

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. DEBT (Continued)**

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 Village's taxing authority collateralizes the loan.

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 water operating receipts collateralize the loan.

The OWDA loan is a Waste Water Treatment Plan Project estimated to cost \$3.2 million. As of December 31, 2012, \$130,827 was received in loan proceeds and \$181,262 was disbursed as part of the engineers' professional fees for planning and design. In 2011, the Village applied for project financing-principal forgiveness from the Water Pollution Control Loan Fund (WPCLF) and is in the process of approval of receiving a 75% principal forgiveness financing. No amortization schedule is available at this time. The Village's taxing authority collateralizes the loan.

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

Year ending December 31:	OPWC Loan # CN809	OPWC Loan # CN26A	OPWC Loan # CN27C
2013	\$4,375	\$2,318	\$2,874
2014	4,375	2,318	2,875
2015	4,375	2,318	2,875
2016		2,318	2,875
2017		2,318	2,875
2019-2023		3,474	17,244
Total	<u>\$13,125</u>	<u>\$15,064</u>	<u>\$31,618</u>

**6. RETIREMENT SYSTEM**

The Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.



**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

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: 2011 and 2010:

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

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

**8. COMPLIANCE**

Contrary to Ohio Revised Code, an unapproved advance was made and the purposes, for which the money could be used, were not in the debtor fund and in the creditor fund. Also contrary to Ohio Revised Code and Ohio Administrative Code, the Fiscal Officer did not maintain complete and accurate accounting records.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of New Athens  
Harrison County  
P.O. Box 126  
New Athens, Ohio 43981

To the Members of Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of New Athens, Harrison County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 26, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted, during 2011, that the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-04 described in the accompanying Schedule of Findings to be a material weakness.

***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, opining 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 2012-01 through 2012-04.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 26, 2013

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-01**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Council if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation 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 may be outstanding a particular time for any line item appropriation.

The Fiscal Officer did not certify or record the amount against the applicable appropriation accounts for 50% and 88% of expenditures tested from 2012 and 2011, respectively. The Village did not utilize the certification exceptions described above.

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-01 (Continued)**

**Noncompliance Citation - Ohio Revised Code Section 5705.41(D) (Continued)**

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used properly, prior to certification is not only required by statute but it is also 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, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Section 5705.41(D) requires authorizing disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2012-02**

**Noncompliance Citation**

Ohio Revised Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year. Pursuant to AOS Bulletin 97-003 cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

In 2011, the Village advanced \$10,000 from the Water Operating Fund to the General Fund. Furthermore, the advance was not approved by a formal resolution of Council stating that the transaction was an advance and the fund from which repayment would be made.

As a result of the lack of statutory authority for making these advances, an adjustment was necessary to reduce the General Fund balance by \$10,000 and increase the Water Operating Fund balance by a like amount. These adjustments, with which management agrees, have been posted to the Village's books and are reflected in the accompanying financial statements.

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-02 (Continued)**

**Noncompliance Citation - Ohio Revised Code Section 5705.10 (Continued)**

Village Council should first consider the restrictions on inter-fund cash advances prior to advancing monies. If monies are not available in those funds which may meet the inter-fund cash advance restrictions, then Village Council should consider other alternatives, such as obtaining a tax advance from the County Auditor or a short-term loan.

Management should refer to Auditor of State Bulletin 97-003 for guidance when considering inter-fund cash advances.

**FINDING NUMBER 2012-03**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The following funds had expenditures which exceeded appropriations:

**2012:**

Fund	Appropriations	Expenditures	Variance
Capital Project Fund	\$0	\$95,002	(\$95,002)

**2011:**

Fund	Appropriations	Expenditures	Variance
Street Construction, Maintenance and Repair	\$20,290	\$21,833	(\$1,543)
State Highway	\$0	\$1,456	(\$1,456)
Police Levy	\$1,415	\$8,059	(\$6,644)
Capital Project	\$0	\$86,260	(\$86,260)
Water Operating	\$74,646	\$84,935	(\$10,289)

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-04**

**Noncompliance Citation/Material Weakness**

Ohio Revised Code Section 733.28 and Ohio Administrative Code Section 117-2-02(A) require the Village Clerk/Treasurer to maintain accurate and complete accounting records sufficient to ensure accountability for all transactions. The following items were noted:

1. Accurate monthly bank reconciliations were not prepared and did not include all bank accounts of the Village during 2011 and 2012.
2. Financial activity for the Capital Project Fund was not posted to the Village ledgers during 2011 or 2012.

The deficiencies in the accounting records and the monthly cash reconciliations have resulted in adjustments to the financial statements. The Fiscal Officer has agreed to the adjustments below and these corrected amounts are reflected in the accompanying financial statements.

**2011:**

Fund Name	Account Type	Amount	Description
Capital Project	Beginning fund balance	\$50,435	Fund balance was not included on the cash reconciliation
Capital Project	Revenue	\$35,852	OPWC loan proceeds not posted on ledgers.
Capital Project	Expenditures	\$86,260	Contractual service expenditure not posted on ledgers.

**2012:**

Fund	Account Type	Amount	Description
Capital Project	Revenue	\$94,975	Loan proceeds not posted on ledgers
Capital Project	Expenditures	\$95,002	Expenditures not posted to the ledgers

The Fiscal Officer should to maintain accurate and complete accounting records and consistently follow a uniform chart of accounts so that the Village will be able to identify, assemble, analyze, classify, record, and report its transactions correctly and to document compliance with finance-related legal and contractual requirements.

**Official's Response:**

We did not receive a response from officials to the findings reported above.



**VILLAGE OF NEW ATHENS  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2010-01	OAC 117-2-02(A) – Loan proceeds and debt expenditures were not posted on the ledgers.	No	Reissued as Finding Number 2012-04.
2010-02	ORC Sections 5706.36(A)(2) and ORC 5705.36(A)(4) – Estimated resources exceeded actual receipts and the client did not receive an Amended Certificate.	Yes	Corrected.
2010-03	ORC Section 5705.39 – Appropriations exceeded estimated resources.	Yes	Corrected.
2010-04	ORC Section 117.13 – The client did not properly allocate audit costs.	Yes	Corrected.

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# Dave Yost • 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  
JULY 30, 2013**