



Mary Taylor, CPA
Auditor of State

VILLAGE OF ATHALIA
LAWRENCE COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Athalia
Lawrence County
14407 State Route 7
Proctorville, Ohio 45669

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

August 21, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Athalia
Lawrence County
14407 State Route 7
Proctorville, Ohio 45669

To the Village Council:

We have audited the accompanying financial statements of the Village of Athalia, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. 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.

Except as described in the following paragraph, 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.

We were unable to obtain the necessary assurances concerning the completeness of the Village's Fines, Licenses and Permits receipts received from the Mayor's Court for the years ended December 31, 2005 and 2004. Further, the Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705 for the years ended December 31, 2005 and 2004.

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.

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 requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, except for such adjustments, if any, that would have been necessary had the Village used the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705 and sufficient competent evidential matter been available to assure the completeness of the Fines, Licenses, and Permits receipts received from the Mayor's Court for the years ended December 31, 2005 and 2004, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Athalia, Lawrence County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 21, 2007

VILLAGE OF ATHALIA
LAWRENCE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$2,989			\$2,989
Intergovernmental Receipts	21,106	\$11,326	\$8,409	40,841
Fines, Licenses, and Permits	13,882			13,882
Earnings on Investments	23			23
Miscellaneous	1,551			1,551
	<u>39,551</u>	<u>11,326</u>	<u>8,409</u>	<u>59,286</u>
Total Cash Receipts				
	<u>39,551</u>	<u>11,326</u>	<u>8,409</u>	<u>59,286</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	21,669			21,669
Conservation and Recreation	3,935			3,935
Public Works		2,902		2,902
General Government	10,513			10,513
Debt Service:				
Principal Payments	2,104			2,104
Interest Payments	43			43
Capital Outlay			8,409	8,409
	<u>38,264</u>	<u>2,902</u>	<u>8,409</u>	<u>49,575</u>
Total Cash Disbursements				
	<u>38,264</u>	<u>2,902</u>	<u>8,409</u>	<u>49,575</u>
Total Cash Receipts Over/(Under) Disbursements	1,287	8,424	0	9,711
Fund Cash Balances, January 1	<u>2,323</u>	<u>1,460</u>		<u>3,783</u>
Fund Cash Balances, December 31	<u><u>\$3,610</u></u>	<u><u>\$9,884</u></u>	<u><u>\$0</u></u>	<u><u>\$13,494</u></u>

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

VILLAGE OF ATHALIA
LAWRENCE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$13,947</u>
Total Non-Operating Cash Receipts	<u>13,947</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>13,932</u>
Total Non-Operating Cash Disbursements	<u>13,932</u>
Net Cash Receipts Over/(Under) Cash Disbursements	15
Fund Cash Balance, January 1	<u>156</u>
Fund Cash Balance, December 31	<u><u>\$171</u></u>

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

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$2,596		\$2,596
Intergovernmental Receipts	18,187	\$9,665	27,852
Fines, Licenses, and Permits	42,468		42,468
Earnings on Investments	27		27
Miscellaneous	1,753		1,753
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	65,031	9,665	74,696
Cash Disbursements:			
Current:			
Security of Persons and Property	45,691		45,691
Public Works		14,063	14,063
General Government	20,855		20,855
Debt Service:			
Principal Payments	2,036		2,036
Interest Payments	120		120
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	68,702	14,063	82,765
Total Cash Receipts Over/(Under) Disbursements	(3,671)	(4,398)	(8,069)
Fund Cash Balances, January 1 - Restated	5,994	5,858	11,852
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$2,323	\$1,460	\$3,783

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

VILLAGE OF ATHALIA
LAWRENCE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$43,569</u>
Total Non-Operating Cash Receipts	<u>43,569</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>43,427</u>
Total Non-Operating Cash Disbursements	<u>43,427</u>
Net Cash Receipts Over/(Under) Cash Disbursements	142
Fund Cash Balance, January 1 - Restated	<u>14</u>
Fund Cash Balance, December 31	<u><u>\$156</u></u>

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

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Athalia, Lawrence County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, park operations, and maintenance of streets.

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 an expenditure is made (i.e., when a check is issued).

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

C. Cash and Investments

The Village has one demand deposit account and no investments.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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 ATHALIA
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Joint Resurfacing Project Fund - This fund received State Issue II receipts for a joint resurfacing project.

4. Fiduciary Funds

Fiduciary funds include agency funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for activities of the Village's Mayor's Court. The Village's Mayor's Court and Police Department was closed effective May 15, 2005.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements) 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 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. The Village did not use the encumbrance method of accounting.

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

A summary of 2005 and 2004 budgetary activity appears in Note 3.

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 Cash and Investments

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

	2005	2004
Demand deposits	\$13,665	\$3,939

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,650	\$39,551	(\$60,099)
Special Revenue	15,500	11,326	(4,174)
Capital Projects	0	8,409	8,409
Total	\$115,150	\$59,286	(\$55,864)

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,918	\$38,264	(\$6,346)
Special Revenue	2,903	2,902	1
Capital Projects	0	8,409	(8,409)
Total	\$34,821	\$49,575	(\$14,754)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$65,031	\$65,031
Special Revenue	0	9,665	9,665
Total	\$0	\$74,696	\$74,696

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,759	\$68,702	(\$943)
Special Revenue	13,851	14,063	(212)
Total	\$81,610	\$82,765	(\$1,155)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$943 and in the Street Construction, Maintenance and Repair Fund by \$212 for the year ended December 31, 2004. Also, budgetary expenditures exceeded appropriation authority in the General Fund by \$6,346 for the year ended December 31, 2005.

Also contrary to Ohio law, the fiscal officer did not certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year for 2004.

In addition, contrary to Ohio law, budgeted revenues exceeded actual receipts in the General Fund by \$60,099 for 2005. This resulted in available resources being reduced below the appropriations for that fund. Further, at December 31, 2004 appropriations exceeded estimated resources in the General Fund by \$67,759; in the Street Construction, Maintenance and Repair Fund by \$13,451; and in the Street Construction Fund by \$400.

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

5. Retirement Systems

The Village's Police Chief belonged to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10% of their wages. For 2005 and 2004, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries and the Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

6. Risk Management

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. Risk Management (Continued)

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

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

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

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

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

7. Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

VILLAGE OF ATHALIA
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

8. Restatement of Beginning Balances

The January 1, 2004 balances were restated as follows:

Fund Type	12/31/2003 Balance	Restated 1/1/2004 Balance	Restatement
General	\$6,163	\$5,994	\$169
Special Revenue	5,875	5,858	17
Agency	1,074	14	1,060
Total	<u>\$13,112</u>	<u>\$11,866</u>	<u>\$1,246</u>

These restatements were due to inaccurate cash reconciliations at December 31, 2003.

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Mary Taylor, CPA

Auditor of State

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

Village of Athalia
Lawrence County
14407 State Route 7
Proctorville, Ohio 45669

To the Village Council:

We have audited the financial statements of the Village of Athalia, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 21, 2007, 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 also noted that sufficient competent evidential matter was not available to obtain the necessary assurances over the completeness of the Village's Fines, Licenses, and Permits receipts received from the Mayor's Court for the years ended December 31, 2005 and 2004. Further, the Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705. Except as discussed in the preceding sentence, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-007.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated August 21, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-006. In a separate letter to the Village's management dated August 21, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 21, 2007

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code Section 5705.36 (A)(1) provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The certificate for 2004 was not filed with the County Auditor. As a result, an Amended Certificate of Estimated Resources was not received from the Budget Commission in 2004. The certificate for 2005 was filed with the County Auditor on February 14, 2005. Failure to file the certificate timely results in a delay of receiving the Amended Certificate of Estimated Resources from the Budget Commission.

We recommend the Village Fiscal Officer file the required certification to the County Auditor on or about the first day of each fiscal year.

Officials' Response

The Village of Athalia is attempting to correct these problems before the next audit.

FINDING NUMBER 2005-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code Section 5705.36(A)(2)-(3) allows subdivisions to request increased amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

In 2004, the Village Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures; therefore, an amended certificate of estimated resources was not obtained from the Budget Commission.

In 2005, budgeted receipts in the General Fund exceeded actual receipts by \$60,099. Actual receipts collected reduced available resources below appropriations for that fund. A reduced amended certificate should have been obtained from the Budget Commission. Failure to obtain a reduced amended certificate could result in expenditures exceeding available resources.

We recommend the Village Fiscal Officer obtain a reduced amended certificate when actual receipts will be significantly less than the amount in the official certificate of estimated resources.

VILLAGE OF ATHALIA
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-002 (Continued)

Noncompliance Citation/Reportable Condition – Ohio Rev. Code Section 5705.36(A)(2)-(3)
(Continued)

Officials' Response

The Village of Athalia is attempting to correct these problems before the next audit.

FINDING NUMBER 2005-003

Noncompliance Citation/Reportable Condition

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed total estimated resources.

An Amended Certificate of Estimated Resources was not received from the Budget Commission in 2004. As a result, appropriations exceeded total estimated resources in the following funds:

Date	Fund	Estimated Resources	Appropriations	Variance
December 31, 2004	General Fund	\$0	\$67,759	(\$67,759)
December 31, 2004	Street Construction Fund	\$0	\$13,451	(\$13,451)
December 31, 2004	State Highway Improvement Fund	\$0	\$400	(\$400)

Failure to receive an Amended Certificate of Estimated Resources from the County Auditor results in an inability to approve appropriations which do not exceed total estimated resources. We recommend the Fiscal Officer monitor to ensure that appropriations from each fund do not exceed the total amount of estimated resources.

Officials' Response

The Village of Athalia is attempting to correct these problems before the next audit.

VILLAGE OF ATHALIA
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-004

Noncompliance Citation/Reportable Condition

Ohio Rev. Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceeded appropriations in the General Fund and Street Construction Fund in 2004 and in the General Fund in 2005 as follows:

Date	Fund	Appropriations	Expenditures	Variance
December 31, 2004	General	\$67,759	\$68,702	(\$943)
December 31, 2004	Street Construction	\$13,451	\$13,663	(\$212)
December 31, 2005	General	\$31,918	\$38,264	(\$6,346)

Failure to monitor actual expenditures versus the amount appropriated can result in expenditures exceeding the amount of available resources. We recommend the Village Fiscal Officer monitor to ensure that expenditures do not exceed appropriations.

Officials' Response

The Village of Athalia is attempting to correct these problems before the next audit.

FINDING NUMBER 2005-005

Noncompliance Citation/Reportable Condition

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

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

VILLAGE OF ATHALIA
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-005 (Continued)

Noncompliance Citation/Reportable Condition – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates 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 account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to purchase commitments being made in 2004 or in 2005. A purchase order was prepared and the certification was signed at the same time the disbursement check was prepared. In addition, the appropriation ledger for each account code did not include budgeted expenditures or unencumbered fund balances for 2004 or 2005.

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but 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, we recommend the Fiscal Officer certify that 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.

We recommend the Village officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41 (D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs the commitment, and only when the requirements of Section 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response

The Village of Athalia is attempting to correct these problems before the next audit.

VILLAGE OF ATHALIA
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-006

Noncompliance Citation/Reportable Condition – Recording Budgeted Receipts and Appropriations

Ohio Admin. Code Section 117-2-01(A) states all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

Ohio Admin. Code Section 117-2-01(B) states “internal control” means a process effected by an entity’s governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- 1) Reliability of financial reporting;
- 2) Effectiveness and efficiency of operations;
- 3) Compliance with applicable laws and regulations; and
- 4) Safeguarding of assets

Ohio Admin. Code Section 117-2-01(C) lists the five interrelated components of internal control and includes monitoring which is a process that assesses the quality of internal control performance over time.

Ohio Admin. Code Section 117-2-02(C) includes systems and documents that may be used to effectively maintain the accounting and budgetary records of the local public office and indicates all local public offices should integrate the budgetary accounts, 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 and appropriations.

Budgeted and actual receipts and expenditures for each account code should be monitored throughout the year. Financial reports presented to Village Council should include budget and actual activity.

In 2004 and 2005, the Village Fiscal Officer did not record budgeted receipts on the individual receipt ledgers and did not record appropriations on the individual appropriation ledgers. Budget and actual data was not included on the monthly financial reports presented to Village Council. This did not allow for proper monitoring of budgeted and actual revenues and expenditures by the Village Fiscal Officer or Village Council. Failure to properly monitor financial activity results in the loss of the ability to control the budgetary cycle.

We recommend the Village Fiscal Officer record budgeted receipts and appropriations for each account code on the individual ledgers. We further recommend budget and actual revenues and expenditures be monitored throughout the year by the Village Fiscal Officer and by Village Council.

Officials’ Response

The Village of Athalia is attempting to correct these problems before the next audit.

VILLAGE OF ATHALIA
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-007

Reportable Condition – Preparation of Annual Financial Report

The annual financial report prepared by the Village Fiscal Officer should be reconciled to underlying ledgers to ensure accuracy and completeness of the information being reported, audited and used for decision making by Village officials.

The annual financial report prepared by the Village Fiscal Officer did not agree to the underlying revenue and expenditure ledgers. We noted instances in which receipts were reported on the cashbook which were not reported on the receipt ledgers. In addition, we noted items on the expenditure ledgers which were not included in the expenditure amounts reported in the annual financial report.

The following errors were noted while testing the 2004 underlying accounting records:

- We noted receipts in the amount of \$1,223 which were recorded in the cashbook and were not recorded on the receipt ledgers;
- We noted expenditures in the amount of \$2,716 which were recorded in the cashbook and were not recorded in the expenditure ledgers;
- We noted expenditures in the appropriation ledger in the amount of \$497 that were not recorded in the cashbook; and
- We noted differences between individual checks per the cashbook and individual checks per the appropriation ledger totaling \$98.

The following errors were noted while testing the 2005 underlying accounting records:

- We noted expenditures in the amount of \$5,744 that were recorded in the cashbook which were not recorded in the expenditure ledgers;
- We noted expenditures in the amount of \$146 that were duplicated items on the appropriation ledger;
- We noted an expenditure on the appropriation ledger in the amount of \$122 which was not recorded in the cashbook; and
- We noted differences between individual checks per the cashbook and individual checks per the appropriation ledger totaling \$148.

On the 2004 annual financial report, General Fund receipts were reported as \$63,794 whereas the actual amount was \$65,031 and expenditures were reported as \$92,498 whereas the actual amount was \$68,702. In addition, State Highway Improvement Fund was reported as having no expenditures whereas the actual amount was \$400.

On the 2005 annual financial report, General Fund receipts were reported as \$20,829 whereas the actual amount was \$39,551 and expenditures were reported as \$33,667 whereas the actual amount was \$38,264.

This could result in inaccurate and unreliable amounts being reported in the annual financial report.

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-007 (Continued)

Reportable Condition – Preparation of Annual Financial Report (Continued)

We recommend the Village Fiscal Officer reconcile the annual financial report to underlying receipt and expenditure ledgers to ensure amounts reported are accurate.

Officials' Response

The Village of Athalia is attempting to correct these problems before the next audit.

**VILLAGE OF ATHALIA
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Monthly reconciliations not properly performed and cashbook not properly maintained for Mayor's Court.	No	Not Corrected. Mayor's Court and Police Department closed in 2005.
2003-002	Ohio Rev. Code Section 5705.36 – The Village did not file the required documents with the County Auditor.	No	Not Corrected. Reissued as Finding Number 2005-001.
2003-003	Ohio Rev. Code Section 5705.38 – Appropriation measures not properly passed or certified to the County Auditor.	Yes	
2003-004	Ohio Rev. Code Section 5705.39 – Appropriations should not exceed estimated resources.	No	Not Corrected. Reissued as Finding Number 2005-003.
2003-005	Ohio Rev. Code Section 5705.41 (B) and (D) – Expenditures exceeded Appropriations and valid purchase orders were not utilized.	No	Not Corrected. Reissued as Finding Numbers 2005-004 and 2005-005.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ATHALIA

LAWRENCE 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
OCTOBER 2, 2007**