



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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 5, 2008

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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, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e, major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation 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, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

The Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705 for the years ended December 31, 2007 and 2006. The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year end as budgetary expenditures. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the years ended December 31, 2007 and 2006.

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 Rev. Code Chapter 5705 for the years ended December 31, 2007 and 2006 as discussed in paragraph six above, 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, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Auditor of State has billed the Village for audit services and non-audit services provided for the year ended December 31, 2005. As of September 30, 2008, the Village has an outstanding balance of \$1,095.

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 November 5, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

November 5, 2008



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, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$3,520			\$3,520
Intergovernmental	17,115	\$14,234	\$6,611	37,960
Licenses, Permits, and Fees	412			412
Fines and Forfeitures	880			880
Earnings on Investments	40			40
Miscellaneous	1,719			1,719
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	23,686	14,234	6,611	44,531
<b>Cash Disbursements:</b>				
Current:				
General Government	20,690			20,690
Public Works		10,229		10,229
Capital Outlay			6,611	6,611
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	20,690	10,229	6,611	37,530
Total Cash Receipts Over/(Under) Cash Disbursements	2,996	4,005	0	7,001
Fund Cash Balances, January 1	5,494	16,067		21,561
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$8,490</u></b>	<b><u>\$20,072</u></b>	<b><u>\$0</u></b>	<b><u>\$28,562</u></b>

*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, 2007

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Total Non-Operating Cash Receipts	\$0
<b>Non-Operating Cash Disbursements:</b>	
Total Non-Operating Cash Disbursements	<u>0</u>
Net Non-Operating Cash Receipts Over/(Under) Non-Operating Cash Disbursements	0
Fund Cash Balance, January 1	<u>61</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$61</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, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$3,953		\$3,953
Intergovernmental	17,333	\$12,972	30,305
Licenses, Permits, and Fees	516		516
Fines and Forfeitures	780		780
Earnings on Investments	43		43
Miscellaneous	977		977
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	23,602	12,972	36,574
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	21,718		21,718
Public Works		6,789	6,789
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	21,718	6,789	28,507
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	1,884	6,183	8,067
Fund Cash Balances, January 1	3,610	9,884	13,494
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$5,494</u></b>	<b><u>\$16,067</u></b>	<b><u>\$21,561</u></b>

*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, 2006**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	\$595
Total Non-Operating Cash Receipts	595
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	780
Total Non-Operating Cash Disbursements	780
Net Non-Operating Cash Receipts Over/(Under) Non-Operating Cash Disbursements	(185)
Fund Cash Balance, January 1 - Restated (See Note 8)	246
<b>Fund Cash Balance, December 31</b>	<b>\$61</b>

*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, 2007 AND 2006**

**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 Village 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**

The Village has one demand deposit account.

**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, 2007 AND 2006  
(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, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

A summary of 2007 and 2006 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**

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

	2007	2006
Demand deposits	\$28,623	\$21,622

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

**3. Budgetary Activity**

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,015	\$23,686	\$7,671
Special Revenue	13,802	14,234	432
Capital Projects	0	6,611	6,611
Total	\$29,817	\$44,531	\$14,714

**VILLAGE OF ATHALIA  
LAWRENCE COUNTY**

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

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,050	\$20,690	\$19,360
Special Revenue	16,500	10,229	6,271
Capital Projects	0	6,611	(6,611)
Total	\$56,550	\$37,530	\$19,020

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,500	\$23,602	(\$23,898)
Special Revenue	19,000	12,972	(6,028)
Total	\$66,500	\$36,574	(\$29,926)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,115	\$21,718	\$59,397
Special Revenue	16,200	6,789	9,411
Total	\$97,315	\$28,507	\$68,808

Contrary to Ohio law, at December 31, 2006 appropriations exceeded estimated resources in the General Fund by \$32,079 and at December 31, 2007 appropriations exceeded estimated resources in the General Fund by \$19,501.

Also, contrary to Ohio law, budgeted revenues exceeded actual receipts in the General Fund by \$23,898 for 2006 and in the Street Construction, Maintenance, and Repair Fund by \$6,101 for 2006. For 2007, budgeted revenues exceeded actual receipts in the State Highway Fund by \$144.

In addition, contrary to Ohio law, the Village Fiscal Officer did not certify to the County Auditor the total amount from all sources which are 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 2007.



**VILLAGE OF ATHALIA  
LAWRENCE COUNTY**

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

**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.

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**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**6. Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Government 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 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.

VILLAGE OF ATHALIA  
LAWRENCE COUNTY

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

**6. Risk Management (Continued)**

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

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other 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:

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

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

**7. Contingent Liabilities**

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, 2007 AND 2006  
(Continued)**

**8. Restatement of Beginning Balances**

The January 1, 2006 balances were restated as follows:

<u>Fund Type</u>	<u>December 31, 2005 Balance</u>	<u>Restated January 1, 2006 Balance</u>	<u>Restatement</u>
Agency	<u>\$171</u>	<u>\$246</u>	<u>(\$75)</u>

This restatement was due errors in the December 31, 2005 balance.

**9. Outstanding Balances**

The Village had outstanding balances to vendors at December 31, 2007 totaling \$8,520. As of September 30, 2008, the Village had outstanding Auditor of State of Ohio fees in the amount of \$1,095 for audit services and non-audit services which are past due by more than 120 days. The Village has arranged a payment plan with the Auditor of State of Ohio's Office to make monthly payments of \$282.

**10. Subsequent Events**

On April 8, 2008 the Village Council approved a bid for roof repair in the amount of \$3,496.

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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, 2007 and 2006, and have issued our report thereon dated November 5, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705. 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

We considered the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-003 through 2007-006.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-003, 2007-004, and 2007-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 5, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as items 2007-001 through 2007-004.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 5, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

November 5, 2008

**VILLAGE OF ATHALIA  
LAWRENCE COUNTY**

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

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

**Finding Number 2007-001**

**Noncompliance Citation – Ohio Rev. Code Section 5705.36**

Ohio Rev. Code Section 5705.36(A)(1) provides that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates 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.

Ohio Rev. Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting such excess.

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 current level of 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.

Ohio Rev. Code Section 5705.36(A)(5) requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

At December 31, 2006 and 2007, we noted the following differences in comparing estimated versus actual receipts:

Date	Fund	Estimated Receipts	Actual Receipts	Variance	Percent Variance
December 31, 2006	General	\$ 47,500	\$ 23,602	\$ (23,898)	-50%
December 31, 2006	Street Construction, Maintenance, and Repair	\$ 18,100	\$ 11,999	\$ (6,101)	-34%
December 31, 2006	State Highway	\$ 900	\$ 973	\$ 73	8%
December 31, 2007	General	\$ 16,015	\$ 23,686	\$ 7,671	48%
December 31, 2007	State Highway	\$ 1,212	\$ 1,068	\$ (144)	-12%

Failure to monitor estimated receipts could result in expenditures and appropriations exceeding estimated resources, and ultimately result in deficit cash balances.

VILLAGE OF ATHALIA  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)

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

Finding Number 2007-001 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.36 (Continued)

The Village did not properly certify the total amount from all sources available for expenditures to the County Auditor for December 31, 2006 balances. As a result, the Village did not receive an Amended Certificate of Estimated Resources from the Budget Commission in 2007.

We recommend the Village Fiscal Officer monitor estimated versus actual receipts throughout the year. A reduced amended certificate should be requested from the Budget Commission if the amount of the deficiency will reduce available resources below the current level of appropriation. An increased amended certificate from the Budget Commission should be requested if the legislative authority intends to appropriate and expend excess revenue. We further recommend the Village Fiscal Officer on or about the first day of each fiscal year certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Officials' Response

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

Finding Number 2007-002

Noncompliance Citation – Ohio Rev. Code Section 5705.39

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

For 2006 and 2007, we noted appropriations exceeded estimated resources in the following funds:

Date	Fund	Estimated Resources	Appropriations	Variance	Percent Variance
December 31, 2006	General	\$ 49,036	\$ 81,115	\$ (32,079)	-65%
December 31, 2007	General	\$ 20,549	\$ 40,050	\$ (19,501)	-95%

The Village Fiscal Officer did not provide the Village Council with budget to actual comparisons, which identify appropriations that may need amending. Allowing appropriations to exceed estimated resources could result in negative fund balances for the Village.

We recommend the Village 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, 2007 AND 2006  
(Continued)

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

Finding Number 2007-003

**Noncompliance Citation-Material Weakness – Ohio Rev. Code Section 5705.41(D)(1)**

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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

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 Village Fiscal Officer did not certify the availability of funds prior to purchase commitments being made for 100% of the expenditures in 2006 and in 2007. The Fiscal Officer prepared a purchase order; however, the Village Fiscal Officer did not sign and date the purchase order to indicate the certification was made prior to the time the disbursement check was prepared.

**VILLAGE OF ATHALIA  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**Noncompliance Citation-Material Weakness – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

The Village did not have sufficient internal controls in place to ensure the certification of the availability of funds. 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 Village 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 Village 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 Ohio Rev. Code Section 5705.41 (D) required to authorize disbursements. The Village Fiscal Officer should sign the certification at the time the Village incurs the commitment, and only when the requirements of Ohio Rev. Code Section 5705.41 (D) are satisfied. The Village 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.

**Finding Number 2007-004**

**Noncompliance Citation-Material Weakness – Ohio Admin. Code Section 117-2-01**

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.

**VILLAGE OF ATHALIA  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**Finding Number 2007-004 (Continued)**

**Noncompliance Citation-Material Weakness – Ohio Admin. Code Section 117-2-01 (Continued)**

Ohio Admin. Code Section 117-2-02 (D) discusses accounting records all public offices should maintain. These records include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. 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.

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. Expense ledgers should be maintained for all line items included within the appropriation measure.

In 2007 and 2006, the Village Fiscal Officer did not record budgeted receipts on the individual receipt ledgers and the Village Fiscal Officer did not record appropriations on the individual appropriation ledgers. The Village Fiscal Officer did not provide budget to actual comparisons on the monthly financial reports presented to Village Council. This did not allow the Village Fiscal Officer or Village Council to properly monitor budgeted and actual revenues and expenditures of the Village. 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. Expense ledgers should be maintained according to line items within the appropriation measure. 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, 2007 AND 2006  
(Continued)**

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

**Finding Number 2007-005**

**Significant Deficiency – Financial Monitoring**

Sound internal control policies require management and the Village Council to monitor the financial activity and condition of the Village. Actual revenues and expenses should be compared to budgeted amounts each month and reported to and reviewed by the Village Council. The Village Council should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries of management about the reasons. Additionally, the Village Council should compare their actual cash balances to budgeted cash balances at the end of each month. When actual cash balances are below budgeted cash balances, the Village Council should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance and to avoid negative financial trends.

The Village Fiscal Officer provides Village Council with the bills to be paid and a financial activity report which includes fund balances; however, no other monthly financial reports are reviewed. While the Village Council did approve all payment of bills, the Village Council only used a financial activity report prepared by the Village Fiscal Officer to monitor financial activity. This could result in errors and/or irregularities occurring and remaining undetected for an extended period of time. For each regular Village Council meeting, the Village Fiscal Officer should provide detailed budget versus actual activity statements, financial statements, bank reconciliations, lists of investments, cash balances, and checks paid. The Village Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage and monitor the Village's financial position. This information can help answer questions such as the following:

**Inquiries Relevant to Overall County Operations:**

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Is the Village able to achieve the financial goals as set by the original or amended budgets?
- Are expenditures being spent in accordance with the approved appropriations?
- Is there evidence the Village should amend their appropriations and / or estimated resources?

**VILLAGE OF ATHALIA  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**Finding Number 2007-005 (Continued)**

**Significant Deficiency – Financial Monitoring (Continued)**

In order to effectively monitor the financial activity and condition of the Village, we recommend the Village Council perform the following actions:

- The Village Council should review and accept/approve the monthly financial information provided by the Village Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Village Council. This information should include budget versus actual activity.
- The Village Council should take a more active role in monitoring the financial activity of the Village.
- The Village Council should evaluate the need for each expenditure of funds to restrict spending.
- Approval of monthly financial information should include signatures to evidence review.
- Copies of information reviewed and approved should be maintained on file by the Village Fiscal Officer.

**Officials' Response**

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

**Finding Number 2007-006**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the Village Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

**2006 Items**

- The Village Fiscal Officer classified a General Fund amount of \$1,296 as other which represented Fines and Forfeitures in the amount of \$780 and Licenses, Permits, and Fees in the amount of \$516;
- The Village Fiscal Officer posted a General Fund Revenue Assistance receipt in the amount of \$280 as a New Auto receipt to the Street Construction Fund (\$259) and the State Highway Fund (\$21);
- The Village Fiscal Officer posted a Street Construction Fund New Auto receipt in the amount of \$130 and a State Highway Fund New Auto receipt in the amount of \$11 as a General Fund Revenue Assistance receipt of \$141;
- The Village Fiscal Officer posted General Fund intergovernmental revenues in the amount of \$31 as tax revenues;
- The Village Fiscal Officer posted General Fund tax revenues in net amounts resulting in deductions not being reported as expenditures and revenue amounts being understated in the amount of \$368; and

**VILLAGE OF ATHALIA  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2007-006 (Continued)**

**Material Weakness – Financial Reporting (Continued)**

2006 Items (Continued)

- The Village Fiscal Officer did not present a fiduciary fund type statement which should have a 2006 beginning balance of \$246 with disbursements of \$780 and receipts of \$595 for an ending balance of \$61;

2007 Items

- The Village Fiscal Officer did not record the Capital Projects Fund County / OPWC portion of the Joint Paving Project in the amount of \$6,611;
- The Village Fiscal Officer posted General Fund intergovernmental revenues in the amount of \$307 as tax revenues;
- The Village Fiscal Officer posted General Fund tax revenues in net amounts resulting in deductions not being reported as expenditures and revenue amounts being understated in the amount of \$133;
- The Village Fiscal Officer classified General Fund revenues in the amount of \$429 as charges for services which should have been allocated between intergovernmental revenues in the amount of \$17 and licenses, permits, and fees in the amount of \$412;
- The Village Fiscal Officer classified General Fund revenues in the amount of \$880 as other which should have been classed as fines and forfeitures;
- The Village Fiscal Officer classified Street Construction Fund intergovernmental revenues in the amount of \$12,177 as taxes;
- The Village Fiscal Officer classified State Highway Fund intergovernmental revenues in the amount of \$987 as taxes;
- The Village Fiscal Officer posted Cents per Gallon receipts totaling \$1,070 to the General Fund instead of the Street Construction Fund in the amount of \$990 and the State Highway Fund in the amount of \$80; and
- The Village Fiscal Officer did not present a fiduciary fund type statement which should have a 2007 beginning and ending balance of \$61.

The annual financial reports prepared by the Village Fiscal Officer did not agree to the underlying revenue and expenditure ledgers. A proof of cash was performed for the audit period which revealed a 2006 net difference of \$57 and a 2007 net difference of (\$498) which represents a total difference of (\$441).

The following errors were noted while testing the 2006 underlying accounting records:

- We noted receipts in the net amount of \$269 which the Village Fiscal Officer recorded in the cash journal and did not record on the receipt ledgers in the Street Construction Fund;
- We noted receipts in the net amount of \$1,487 which the Village Fiscal Officer recorded in the cash journal and did not record on the receipt ledgers in the General Fund;
- We noted expenditures in the amount of \$239 which the Village Fiscal Officer recorded in the cash journal and did not record in the expenditure ledgers; and
- The Village Fiscal Officer did not indicate a beginning balance for the General Fund and the beginning balance indicated for the Street Construction Fund differed from prior year working papers by \$2,228 over the prior year working paper amount.

**VILLAGE OF ATHALIA  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**Finding Number 2007-006 (Continued)**

**Material Weakness – Financial Reporting (Continued)**

The following errors were noted while testing the 2007 underlying accounting records:

- We noted a difference in Special Revenue Fund receipt amounts of \$482 as a result of the Village Fiscal Officer posting a prior audit period outstanding deposit amount as a revenue when received;
- The Village Fiscal Officer reported expenditure amounts representing salaries as \$7,339 whereas the actual amount was \$6,538.86 which is a difference of \$800;
- The Village Fiscal Officer indicated receipts in the amount of \$2,250 for the Building and Police Department Kids Funds which represent balance amounts and not actual receipts; and
- We noted a footing error of approximately \$40 in the General Fund receipt amount.

The Village did not have sufficient internal controls in place to properly identify and correct errors and omissions. To ensure the Village's financial statements and notes to the statements are complete and accurate, we recommend the Village adopt policies and procedures, including a final review of the statements and notes by the Village Fiscal Officer and Village Council, to identify and correct errors and omissions.

**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, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 5705.36 (A)(1) – Failure to file or timely file certification to the County Auditor.	No	Not Corrected. See Finding 2007-001.
2005-002	Ohio Rev. Code Section 5705.36(A)(2)-(3) – Budgeted receipts exceeded actual receipts.	No	Not Corrected. See Finding 2007-001.
2005-003	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources.	No	Not Corrected. See Finding 2007-002.
2005-004	Ohio Rev. Code Section 5705.41 (B) – Expenditures exceeded appropriations.	Yes	
2005-005	Ohio Rev. Code Section 5705.41(D) – Valid purchase orders not utilized resulting in funds not being properly encumbered	No	Not Corrected. See Finding 2007-003.
2005-006	Ohio Admin. Code Section 117-2-01 – Recording budgeted receipts and appropriations.	No	Not Corrected. See Finding 2007-004.
2005-007	Preparation of Annual Financial Report – Annual Financial Report did not agree to underlying records	No	Not Corrected. See Finding 2007-005.





**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  
DECEMBER 2, 2008**