

VILLAGE OF NASHVILLE
HOLMES COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004



Mary Taylor, CPA

Auditor of State

Village Council
Village of Nashville
P.O. Box 417
Nashville, Ohio 44661

We have reviewed the *Independent Accountants' Report* of the Village of Nashville, Holmes County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Nashville is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

July 2, 2007

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VILLAGE OF NASHVILLE
HOLMES COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Nashville
Holmes County
P.O. Box 417
Nashville, OH 44661

We have audited the accompanying financial statements of the Village of Nashville, Holmes 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village of Nashville to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village of Nashville does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The

Village of Nashville has elected not to reformat its statements. Since the Village of Nashville does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Nashville's combined funds as of December 31, 2005 and 2004, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Nashville, Holmes County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village of Nashville to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village of Nashville 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 April 23, 2007, on our consideration of the Village of Nashville's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Knox & Knox

Orrville, Ohio
April 23, 2007

VILLAGE OF NASHVILLE
HOLMES COUNTY

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2005 AND 2004

Cash and Cash Equivalents	<u>2005</u>	<u>2004</u>
Cash and Cash Equivalents	<u>\$72,855</u>	<u>\$76,390</u>
Total Cash and Cash Equivalents	<u><u>\$72,855</u></u>	<u><u>\$76,390</u></u>
Cash Fund Balances		
Governmental Fund Types:		
General Fund	\$8,927	\$10,304
Special Revenue Funds	<u>4,914</u>	<u>6,941</u>
Total Governmental Fund Types	<u>13,841</u>	<u>17,245</u>
Proprietary Fund Types:		
Enterprise Funds	<u>59,014</u>	<u>59,145</u>
Total Proprietary Fund Types	<u>59,014</u>	<u>59,145</u>
Total Cash Fund Balances	<u><u>\$72,855</u></u>	<u><u>\$76,390</u></u>

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

VILLAGE OF NASHVILLE
HOLMES 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>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$1,283		\$1,283
Intergovernmental	20,371	\$9,564	29,935
Fines, Licenses and Permits	<u>2,911</u>	<u> </u>	<u>2,911</u>
Total Cash Receipts	<u>24,565</u>	<u>9,564</u>	<u>34,129</u>
Cash Disbursements:			
Security of Persons and Property	5,188		5,188
Basic Utility Services	396		396
Transportation		11,591	11,591
General Government	<u>20,358</u>	<u> </u>	<u>20,358</u>
Total Cash Disbursements	<u>25,942</u>	<u>11,591</u>	<u>37,533</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,377)	(2,027)	(3,404)
Fund Cash Balances, 1/1/05	<u>10,304</u>	<u>6,941</u>	<u>17,245</u>
Fund Cash Balances, 12/31/05	<u><u>\$8,927</u></u>	<u><u>\$4,914</u></u>	<u><u>\$13,841</u></u>

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

VILLAGE OF NASHVILLE
HOLMES COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$11,327		\$11,327
Fines		\$3,061	3,061
Miscellaneous	3,868		3,868
Total Operating Cash Receipts	15,195	3,061	18,256
Operating Cash Disbursements:			
Personal Services	1,525		1,525
Supplies and Materials	9,097		9,097
Miscellaneous		3,061	3,061
Total Operating Cash Disbursements	10,622	3,061	13,683
Operating Income/(Loss)	4,573		4,573
Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Debt Service	4,704		4,704
Excess of Non-Operating Receipts Over/(Under) Non-Operating Disbursements	(4,704)		(4,704)
Net Receipts Over/(Under) Disbursements	(131)		(131)
Fund Cash Balances, 1/1/05	59,145		59,145
Fund Cash Balances, 12/31/05	\$59,014		\$59,014

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

VILLAGE OF NASHVILLE
HOLMES 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>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$1,330		\$1,330
Intergovernmental	102,696	\$12,535	115,231
Fines, Licenses and Permits	<u>4,150</u>	<u> </u>	<u>4,150</u>
Total Cash Receipts	<u>108,176</u>	<u>12,535</u>	<u>120,711</u>
Cash Disbursements:			
Security of Persons and Property	16,487		16,487
Basic Utility Services	179		179
Transportation	54,108	5,646	59,754
General Government	<u>43,628</u>	<u> </u>	<u>43,628</u>
Total Cash Disbursements	<u>114,402</u>	<u>5,646</u>	<u>120,048</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(6,226)	6,889	663
Fund Cash Balances, 1/1/04	<u>16,530</u>	<u>52</u>	<u>16,582</u>
Fund Cash Balances, 12/31/04	<u>\$10,304</u>	<u>\$6,941</u>	<u>\$17,245</u>

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

VILLAGE OF NASHVILLE
HOLMES COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u> </u>
Operating Cash Receipts:			
Charges for Services	\$10,471		\$10,471
Fines		\$4,327	4,327
Miscellaneous	<u>9,433</u>	<u> </u>	<u>9,433</u>
Total Operating Cash Receipts	<u>19,904</u>	<u>4,327</u>	<u>24,231</u>
Operating Cash Disbursements:			
Personal Services	1,459		1,459
Supplies and Materials	4,699		4,699
Miscellaneous	<u> </u>	<u>4,327</u>	<u>4,327</u>
Total Operating Cash Disbursements	<u>6,158</u>	<u>4,327</u>	<u>10,485</u>
Operating Income/(Loss)	13,746		13,746
Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Debt Service	<u>4,704</u>	<u> </u>	<u>4,704</u>
Excess of Non-Operating Receipts Over/(Under) Non-Operating Disbursements	<u>(4,704)</u>	<u> </u>	<u>(4,704)</u>
Net Receipts Over/(Under) Disbursements	9,042		9,042
Fund Cash Balances, 1/1/04	<u>50,103</u>	<u> </u>	<u>50,103</u>
Fund Cash Balances, 12/31/04	<u><u>\$59,145</u></u>	<u><u> </u></u>	<u><u>\$59,145</u></u>

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

VILLAGE OF NASHVILLE
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Nashville , Holmes County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services including water and sewer utilities, maintenance of Village roads and bridges, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

VILLAGE OF NASHVILLE
HOLMES COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Fund

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

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds (Trust and Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following significant Fiduciary Funds:

Mayor's Court Fund - This fund is used to record the collection of fines and the distribution of those funds to various agencies as outlined in the Ohio Revised Code.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

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

VILLAGE OF NASHVILLE
HOLMES COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. 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	\$ 14,789	\$ 21,449
Certificates of deposit	58,066	55,481
Total deposits	\$ 72,855	\$ 76,390

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

3. BUDGETARY ACTIVITY

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

	2005 Budgeted vs. Actual Receipts		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General		\$24,565	\$24,565
Special Revenue		9,564	9,564
Enterprise		15,195	15,195
Fiduciary	3,061	3,061	
Total	\$3,061	\$52,385	\$49,324

	2005 Budgeted vs. Actual Budgetary Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$83,010	\$25,942	\$57,068
Special Revenue	8,650	11,591	(2,941)
Enterprise	12,600	15,326	(2,726)
Fiduciary	3,061	3,061	
Total	\$107,321	\$55,920	\$51,401

VILLAGE OF NASHVILLE
HOLMES COUNTY

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

3. BUDGETARY ACTIVITY (continued)

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General		\$108,176	\$108,176
Special Revenue		12,535	12,535
Enterprise		19,904	19,904
Fiduciary	\$4,327	4,327	
Total	<u>\$4,327</u>	<u>\$144,942</u>	<u>\$140,615</u>

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Budgetary Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$118,390	\$114,402	\$3,988
Special Revenue	8,710	5,646	3,064
Enterprise	10,510	10,862	(352)
Fiduciary	4,327	4,327	
Total	<u>\$141,937</u>	<u>\$135,237</u>	<u>\$6,700</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Special Revenue and Enterprise Fund Types, and the Enterprise Fund Type in 2005 and 2004, respectively. Also, appropriations exceeded estimated resources in the General and Special Revenue Fund Types in both 2005 and 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments for 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 owner, 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.

VILLAGE OF NASHVILLE
HOLMES COUNTY

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

5. Debt

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Truck Loan	\$3,422	4.5%

The Village borrowed \$21,010 from a commercial bank. The loan is collateralized by a Ford truck. The loan will be repaid in 60 monthly installments of \$392 each, with the first installment paid on October 15, 2001.

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

<u>Year ending December 31:</u>	<u>Truck Loan</u>
2006	<u>\$ 3,528</u>
Total	<u><u>\$3,528</u></u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability and casualty;
- Vehicles; and
- Public official's liability

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Nashville
Holmes County
P.O. Box 417
Nashville, OH 44661

We have audited the accompanying financial statements of the Village of Nashville as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 23, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village of Nashville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted one matter involving the internal control over financial reporting and its operation that we consider to be a material weakness which is shown in the accompanying schedule as item 2005-004. However, we noted other matters involving internal control over financial reporting that we have reported to the management of the Village of Nashville in a separate letter dated April 23, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Nashville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements,

Village of Nashville
Holmes County
Independent Accountants' Report on
Compliance and on Internal Control
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noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are shown in the accompanying schedule as items 2005-001, 2005-002, and 2005-003.

This report is intended for the information and use of the audit committee, management, and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Knox & Knox

Orrville, Ohio
April 23, 2007

VILLAGE OF NASHVILLE
HOLMES COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

NONCOMPLIANCE CITATION

Ohio Revised Code Section 5705.41, states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- a. "Then and Now Certificate" - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificate.
- b. If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Our test of disbursements indicated that some expenditures tested were committed prior to the certification of available funds by the Clerk-Treasurer. Neither exception listed above was followed, contrary to Ohio Revised Code Section 5705.41 (d). This condition does not provide adequate accountability over the Village's disbursements. Obligation may be incurred which the Council has not authorized or which the Village cannot afford.

We recommend that all Village departments be advised that a purchase order with the certificate of the Clerk-Treasurer be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be reviewed by management before the payment is made.

FINDING NUMBER 2005-002

NONCOMPLIANCE CITATION

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit should expend funds unless lawfully appropriated.

During fiscal year 2005, budgetary expenditures exceeded appropriations as follows:

General Fund	\$ 2,941
Enterprise Funds	\$ 2,726

During fiscal year 2004, budgetary expenditure exceeded appropriations as follows:

Enterprise Funds	\$ 352
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FINDING NUMBER 2005-003

NONCOMPLIANCE CITATION

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Cash-basis entities are required to file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the Auditor of State, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not timely file its 2005 and 2004 reports with the Auditor of State. In addition, a notice of the availability of the report for public inspection was not published for the 2005 or 2004 annual financial report. The Village may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the Clerk-Treasurer prepare and file the annual financial report with the Auditor of State within 60 days after the close of the fiscal year. We also recommend a notice of the availability of the report for public inspection be published in a local newspaper.

FINDING NUMBER 2005-004

REPORTABLE CONDITION

Ohio Admin. Code Section 117-2-02(C)(1) requires the government's internal controls to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Village Clerk-Treasurer did not accurately post estimated revenue and appropriations into the accounting system. Due to the fact that the budgeted information posted into the accounting system was not always correct, Village management was unable to effectively monitor budget versus actual activity.

We recommend the Village Clerk-Treasurer accurately post estimated revenue as certified by the County Budget Commission and appropriations as approved by Village Council into the system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

VILLAGE OF NASHVILLE
HOLMES 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: Explain:
2003-001	Ohio Revised Code Section 5705.41 requires certification of funds by the fiscal officer.	No	Not corrected - see Finding 2005-001
2005-002	Ohio Revised Code Section 5705.41 (B) prohibits expenditures unless properly appropriated	No	No corrected - see Finding 2005-002
2005-003	Ohio Revised Code requires each public office to timely file an annual report.	No	Not corrected - see Finding 2005-003



Mary Taylor, CPA
Auditor of State

VILLAGE OF NASHVILLE

HOLMES COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 17, 2007