



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW VIENNA
CLINTON COUNTY

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Mary Taylor, CPA
Auditor of State

Village of New Vienna
Clinton County
97 West Main Street, P.O. Box 323
New Vienna, Ohio 45159

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

July 21, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Vienna
Clinton County
97 West Main Street, P.O. Box 323
New Vienna, Ohio 45159

To the Village Council:

We have audited the accompanying financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain evidence supporting the completeness or accuracy of Mayor's Court receipts deposited into the Village's Mayor's Court bank Account in 2009. Mayor's Court receipts represent 100% of receipts recorded in the Agency Fund during 2009.

The Village advanced \$51,933 from the Water Fund to the General Fund in 2004 in violation of Auditor of State Bulletin 1997-003 and Ohio Revised Code Sections 5705.09 (F) and 5705.10. The Village repaid the Water Fund from the General Fund in the amounts of \$3,601 in 2009, \$21,688 in 2007 and \$15,908 in 2006, but an outstanding balance of \$10,736 remains at December 31, 2009.

Had this amount not been advanced, the effect would have been to increase the fund balance of the Water Fund by \$10,736 to \$60,332, and to decrease the fund balance of the General Fund by \$10,736 to \$17,262, as of and for the year ended December 31, 2009.

The Village failed to establish and maintain the reserve funds required for the Water Revenue loan and the Sewer Revenue loan acquired through the Farmer's Home Administration (FmHA) during 2008. Failure to establish the required reserve accounts could be construed as a default of the terms or covenants of the debt and could result in the debt holder declaring the entire principal amount then outstanding and accrued interest immediately due and payable. The Village established and maintained the required reserve funds during 2009.

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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, because of the effects of the matters discussed in paragraphs three through six, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of the Village of New Vienna, Clinton County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 21, 2010

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$31,077	\$22,848	\$53,925
Intergovernmental	35,088	56,344	91,432
Fines, Licenses and Permits	3,222		3,222
Earnings on Investments	2,431	393	2,824
Miscellaneous	4,130	35	4,165
Total Cash Receipts	75,948	79,620	155,568
Cash Disbursements:			
Current:			
Security of Persons and Property	18,577	25,935	44,512
Basic Utility Service	3,592		3,592
Transportation		39,817	39,817
General Government	55,078	2,258	57,336
Debt Service:			
Redemption of Principal		2,164	2,164
Interest and Fiscal Charges		57	57
Capital Outlay		1,539	1,539
Total Cash Disbursements	77,247	71,770	149,017
Total Receipts Over/(Under) Disbursements	(1,299)	7,850	6,551
Other Financing Receipts / (Disbursements):			
Transfers-In		21,471	21,471
Transfers-Out	(4,601)	(20,471)	(25,072)
Advances-In		17,337	17,337
Advances-Out	(17,337)		(17,337)
Other Financing Sources	3,802		3,802
Total Other Financing Receipts / (Disbursements)	(18,136)	18,337	201
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(19,435)	26,187	6,752
Fund Cash Balances, January 1	47,433	62,857	110,290
Fund Cash Balances, December 31	\$27,998	\$89,044	\$117,042

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$458,810	\$0	\$458,810
Miscellaneous	1,706		1,706
Total Operating Cash Receipts	<u>460,516</u>	<u>0</u>	<u>460,516</u>
Operating Cash Disbursements:			
Personal Services	50,794		50,794
Employee Fringe Benefits	7,848		7,848
Contractual Services	164,816		164,816
Supplies and Materials	45,445		45,445
Other	7,784		7,784
Total Operating Cash Disbursements	<u>276,687</u>	<u>0</u>	<u>276,687</u>
Operating Income/(Loss)	<u>183,829</u>	<u>0</u>	<u>183,829</u>
Non-Operating Cash Receipts:			
Intergovernmental	16,250		16,250
Court Collections		300	300
Total Non-Operating Cash Receipts	<u>16,250</u>	<u>300</u>	<u>16,550</u>
Non-Operating Cash Disbursements:			
Capital Outlay	29,167		29,167
Redemption of Principal	82,354		82,354
Interest and Other Fiscal Charges	73,296		73,296
Total Non-Operating Cash Disbursements	<u>184,817</u>	<u>0</u>	<u>184,817</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	15,262	300	15,562
Transfers-In	172,501		172,501
Transfers-Out	<u>(168,900)</u>		<u>(168,900)</u>
Net Receipts Over Disbursements	18,863	300	19,163
Fund Cash Balances, January 1	<u>273,639</u>	<u>2,719</u>	<u>276,358</u>
Fund Cash Balances, December 31	<u>\$292,502</u>	<u>\$3,019</u>	<u>\$295,521</u>

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$29,796	\$22,131	\$51,927
Intergovernmental	79,448	81,005	160,453
Fines, Licenses and Permits	6,751	2,528	9,279
Earnings on Investments	6,411		6,411
Miscellaneous	2,668	901	3,569
Total Cash Receipts	125,074	106,565	231,639
Cash Disbursements:			
Current:			
Security of Persons and Property	12,398	43,864	56,262
Basic Utility Service	4,081		4,081
Transportation		58,803	58,803
General Government	46,241		46,241
Debt Service:			
Redemption of Principal	1,691	1,691	3,382
Interest and Fiscal Charges	188	188	376
Total Cash Disbursements	64,599	104,546	169,145
Total Receipts Over Disbursements	60,475	2,019	62,494
Other Financing Receipts / (Disbursements):			
Transfers-In		8,500	8,500
Transfers-Out	(8,500)		(8,500)
Total Other Financing Receipts / (Disbursements)	(8,500)	8,500	0
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	51,975	10,519	62,494
Fund Cash Balances, January 1	(4,542)	52,338	47,796
Fund Cash Balances, December 31	\$47,433	\$62,857	\$110,290

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$488,572	\$0	\$488,572
Miscellaneous	2,248		2,248
Total Operating Cash Receipts	<u>490,820</u>	<u>0</u>	<u>490,820</u>
Operating Cash Disbursements:			
Personal Services	41,301		41,301
Employee Fringe Benefits	6,008		6,008
Contractual Services	215,937		215,937
Supplies and Materials	37,069		37,069
Other	11,786		11,786
Total Operating Cash Disbursements	<u>312,101</u>	<u>0</u>	<u>312,101</u>
Operating Income	<u>178,719</u>	<u>0</u>	<u>178,719</u>
Non-Operating Cash Disbursements:			
Capital Outlay	13,625		13,625
Redemption of Principal	81,091		81,091
Interest and Other Fiscal Charges	77,347		77,347
Total Non-Operating Cash Disbursements	<u>172,063</u>	<u>0</u>	<u>172,063</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	6,656	0	6,656
Transfers-In	165,000		165,000
Transfers-Out	<u>(165,000)</u>		<u>(165,000)</u>
Net Receipts Over Disbursements	6,656	0	6,656
Fund Cash Balances, January 1	<u>266,983</u>	<u>2,719</u>	<u>269,702</u>
Fund Cash Balances, December 31	<u><u>\$273,639</u></u>	<u><u>\$2,719</u></u>	<u><u>\$276,358</u></u>

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Vienna, Clinton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, refuse collections and police services.

The Village participates in a jointly governed organizations and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Public Entities Pool of Ohio – provides the Village with liability and property insurance coverage.

Jointly Governed Organizations:

Clinton Highland Joint Fire District – provides fire protection and rescue services to residents of the Joint Fire District which includes the Village.

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

B. Accounting Basis

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

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

C. Cash and Deposits

The Village deposits available funds in an interest bearing checking account and certificates of deposit with the local commercial banks. The Village values certificates of deposit 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:

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 Funds:

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

Police Levy Fund – This fund receives tax money to provide security of persons and property.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Debt Service Fund – This fund accounts for the principal and interest payments on the Village's water debt.

Sewer Debt Service Fund – This fund accounts for the principal and interest payments for the Village's sewer debt.

4. Fiduciary Fund (Agency Fund)

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 had the following fiduciary fund:

Mayor's Court Fund – This fund accounts for fines collected by the Mayor's Court and distributed to the Village and other governmental agencies. The Mayor's discontinued operations in September 2004, however the Village continues to receive fines from past court cases.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 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 Deposits

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:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$259,340	\$235,624
Certificates of deposit	153,223	151,024
Total deposits	<u>\$412,563</u>	<u>\$386,648</u>

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

3. Budgetary Activity

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

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,463	\$79,750	\$3,287
Special Revenue	83,459	118,428	34,969
Enterprise	698,200	649,267	(48,933)
Total	<u>\$858,122</u>	<u>\$847,445</u>	<u>(\$10,677)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,396	\$99,185	\$25,211
Special Revenue	170,915	92,240	78,675
Enterprise	769,294	630,404	138,890
Total	<u>\$1,064,605</u>	<u>\$821,829</u>	<u>\$242,776</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,420	\$125,074	\$37,654
Special Revenue	98,371	115,065	16,694
Enterprise	674,200	655,820	(18,380)
Total	<u>\$859,991</u>	<u>\$895,959</u>	<u>\$35,968</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,956	\$73,099	\$13,857
Special Revenue	151,549	104,546	47,003
Enterprise	873,823	649,164	224,659
Total	<u>\$1,112,328</u>	<u>\$826,809</u>	<u>\$285,519</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the ARRA Fund for the year ended December 31, 2009 and in the Utility Deposit Fund for the year ended December 31, 2008. The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments as required by Ohio Revised Code, Section 5705.41(D). Contrary to Ohio law, appropriations exceeded actual resources in the various funds. Appropriations exceeded estimated resources in various funds.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Sewer Improvement Loan	\$99,618	2.00%
OWDA Water System Improvement Loan	178,724	5.14%
OWDA Sewer System Planning & Design Loan	371,993	3.92%
OWDA Sewer Construction Loan	178,727	5.74%
OPWC Water System Repair & Replacement Loan	72,907	0.00%
First Mortgage Water Revenue Loan	251,000	5.00%
First Mortgage Sewer Revenue Loan	456,000	5.00%
Total	<u>\$1,608,969</u>	

A. Ohio Water Development Authority (OWDA) Loans:

The OWDA Sewer Improvement loan relates to a wastewater treatment plant construction project. The OWDA approved the loan in 1987 and initial payments began in 1989. The financed amount totaled \$456,502, plus interest, to be repaid over a period of 25 years, with semi-annual payments (January 1st and July 1st). Loan repayments were made through the Enterprise Sewer Debt Service Fund.

The OWDA Water System Improvements loan relates to a water system improvement project. The OWDA approved the loan in September, 2002 in the amount of \$190,000. During the construction of the project, certain interest was capitalized to the loan bringing the original loan amount, including capitalized interest, to \$196,365. The balance, plus interest, is to be repaid over a period of 30 years, with semi-annual payments (January 1st and July 1st) beginning in 2005. Loan repayments were made through the Enterprise Water Debt Service Fund.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

5. Debt (Continued)

The OWDA approved a loan in July, 2001 in the amount of \$187,600 for Sewer System Planning and Design. During the construction of the project certain amounts were encumbered by OWDA, but not disbursed totaling \$23,297. Interest was capitalized on the loan, during construction, bringing the original loan amount, including capitalized interest as of December 31, 2005 to \$199,323. The OWDA Sewer System Planning & Design loan with a principal balance of \$199,323 was rolled into the Sewer Improvement Project (Huhtamaki) which was completed in 2007. The new OWDA Sewer Pump Station and Force Main Improvement Project loan has not been fully completed and amortized, however loan documentation as of December 31, 2007 indicates that the total financed balance is expected to be \$385,796, which included the payoff of the OWDA Sewer System Planning and Design Loan. The principal amount financed by the Village at December 31, 2007 was \$354,167. The interest rate has been established at 3.92% and will have a term of thirty years. Loans were repaid through the Enterprise Sewer Debt Service Fund.

The OWDA Sewer Construction loan relates to a sewer pump station rehabilitation project. The OWDA approved the loan in July, 2001, in the amount of \$196,685. During the construction of the project, certain interest was capitalized to the loan bringing the original loan amount, including capitalized interest, to \$200,582. The balance, plus interest, is to be repaid over a period of 30 years, with semi-annual payments (January 1st and July 1st) beginning in 2005. Loan repayments were made through the Enterprise Sewer Debt Service Fund.

Water and sewer receipts collateralize the OWDA loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

B. Ohio Public Works Commission (OPWC) Loan:

The OPWC loan was part of a grant/loan acquired through the OPWC's State Capital Improvement Program for a Water System Repair and Replacement project. The project agreement was approved in July, 2002. The purpose of the grant/loan was to extend current waterlines, add a booster station, and make upgrades to the water treatment plant.

The OPWC paid \$200,000, in the form of a grant to the Village, directly to the contractor/ vendor in 2003. The Village received a loan in an amount up to \$100,000 with an interest rate of 0% to be repaid over a period of 20 years. The OPWC paid \$17,865 (in 2003) and \$43,958 (in 2004) directly to the contractor/ vendor. The OPWC paid \$35,387 to the Village for costs associated with the project. The original loan balance to be repaid by the Village totals \$97,210. Repayment of the loan began in 2005 with equal, semi-annual payments. Loan repayments were made through the Enterprise Water Debt Service Fund.

C. First Mortgage Water Revenue Loan (FmHA):

The Farmer's Home Administration (FmHA) loan was initiated in October, 1984 in the amount of \$416,000, at an interest rate of 5%. This loan, plus interest, was set to be repaid over a period of 40 years, with annual payments. Loan repayments were made through the Enterprise Water Debt Service Fund and the Water Fund.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

5. Debt (Continued)

The loan agreement between the Village and the FmHA requires that a reserve fund be established equal to one annual payment. This reserve fund was to be funded at the rate of 1/10th of an annual payment per year for 10 years. The Village had not established this reserve fund until 2009, which is a violation of the loan agreement.

D. First Mortgage Sewer Revenue Loan (FmHA):

The Farmer Home Administration (FmHA) loan was initiated in October, 1988 in the amount of \$638,000, at an interest rate of 5%. This loan was acquired for the purpose of constructing a wastewater treatment plant and installing sewer lines throughout the Village. This loan, plus interest, was set to be repaid over a period of 40 years, with annual payments. Loan repayments were made through the Enterprise Sewer Debt Service Fund.

The loan agreement between the Village and the FmHA requires that a reserve fund be established equal to one annual payment. The Village established a reserve fund, but did not pay the required payment into the fund until 2009, which is a violation of the loan agreement.

E. Pump Station Renovation:

The OWDA approved a loan on October 29, 2009 in the amount of \$83,081 for the Pump Station Renovation Project. The term of the loan is for 20 years beginning on January 1, 2011 and ending July 1, 2030. As of December 31, 2009, the Village had not drawn on the loan and does not have any principal outstanding. In conjunction with the loan, the Village has been awarded an ARRA grant for the Pump Station Renovation Project in the amount of \$249,244. As of December 31, 2009, \$16,250 of the ARRA funds were disbursed for the Project's design.

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

5. Debt (Continued)

Year ending December 31:	OWDA Sewer Improvement Loan	OWDA Water System Improvement Loan	OWDA Sewer System Planning & Design Loan	OWDA Sewer Construction Loan	OPWC Water System Repair & Replacement Loan
2010	\$23,382	\$12,910	\$21,983	\$14,094	\$7,291
2011	23,382	12,910	21,983	14,094	4,860
2012	23,382	12,910	21,983	14,094	4,860
2013	23,382	12,910	21,983	14,094	4,860
2014	11,692	12,910	21,983	14,094	4,860
2015 - 2019		64,548	109,913	70,470	24,303
2020 - 2024		64,548	109,913	70,470	21,875
2025 - 2029		64,548	109,913	70,470	
2030 - 2034		58,092	109,913	42,282	
2035 - 2037			54,956		
Total	<u>\$105,220</u>	<u>\$316,286</u>	<u>\$604,523</u>	<u>\$324,162</u>	<u>\$72,909</u>

	First Mortgage Water Revenue Loan	First Mortgage Sewer Revenue Loan	Total Debt
2010	\$24,550	\$37,800	\$142,010
2011	23,950	38,050	139,229
2012	24,350	37,250	138,829
2013	23,700	37,450	138,379
2014	24,050	37,600	127,189
2015 – 2019	120,900	188,500	578,634
2020 – 2024	121,250	189,450	577,506
2025 – 2029		151,150	396,081
2030 – 2034			210,287
2035 – 2037			54,956
Total	<u>\$362,750</u>	<u>\$717,250</u>	<u>\$2,503,100</u>

6. Retirement Systems

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

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

6. Retirement Systems – (Continued)

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2009, two employees of the Village have elected Social Security. The employees' liability is 6.2 percent of wages paid.

7. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

7. Risk Management – (Continued)

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$9,466.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2007	\$14,754
2008	\$10,306
2009	\$ 9,759

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Jointly Governed Organizations

The Clinton Highland Joint Fire District, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a five-member Board of Trustees. The Board consists of one representative from each political subdivision within the District. The Clinton Highland Joint Fire District is comprised of Green Township and Wayne Township in Clinton County; Union Township and Penn Township in Highland County; and the Village of New Vienna in Clinton County. The District provides fire protection and rescue services within the District and contracts with certain areas outside of the District.

9. Advance of Funds and General Fund Balance

During September, 2004, the Village posted advances from the Water Fund to the General Fund in the amount of \$51,933. This advance of funds was used to fund current operations of the Village. As of December 31, 2009, \$41,197 of these funds had been repaid to the Water Fund. The remaining balance had not been repaid to the Water Fund and represented a liability from the General Fund to the Water Fund in the amount of \$10,736.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

10. Material Noncompliance

- The Village did not properly receipt monies into the established funds as required by Ohio Rev. Code, Sections 5705.09 and 5705.10.
- The Village failed to accurately maintain the Village's books as required by Ohio Rev. Code, Section 733.28.
- The Village did not maintain a debt serve reserve fund in accordance with Village's debt covenants during 2008.
- The Village did not maintain accountability over Mayor's Court monies as required by Ohio Rev. Code, Section 733.40.
- The Village did not maintain a system of internal control contrary to Ohio Admin. Code 117-2-01(A).

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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 New Vienna
Clinton County
97 West Main Street, Box 323
New Vienna, Ohio 43907

To the Village Council:

We have audited the financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 21, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We also noted unadjusted advances were made in violation of Auditor of State Bulletin 97-003 and Ohio Revised Code Sections 5705.09(F) and 5705.10, and the Village's failure to maintain the reserve funds during 2008, required by the Farmers Home Administration. In addition, we were unable to obtain evidence supporting the completeness or accuracy of Mayor's Court receipts in 2009. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001, 2009-006, and 2009-007 described in the accompanying schedule of findings to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-002 and 2009-008 described in the accompanying schedule of findings to be significant deficiencies.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 21, 2010.

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 2007-001 through 2007-009.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 21, 2010.

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



Mary Taylor, CPA
Auditor of State

July 21, 2010

VILLAGE OF NEW VIENNA
CLINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Rev. Code, Sections 5705.09(F) and 5705.10, restricts the use of Water Funds. **Auditor of State Bulletin 1997-003** states that advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made. **Auditor of State Bulletin 1997-003** also states that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

In 2004, the Village posted advances from the Water Fund to the General Fund in the amount of \$51,933. No formal Council action was noted in the minutes for this advance. In addition, Water Fund monies are restricted for the operation and maintenance of the Village's utilities, and therefore the movement of \$51,933 from the Water Fund to the General fund was not allowed. During 2006, the Village repaid part of the advance back to the Water Fund in the amount of \$15,908. During 2007, the Village repaid an additional \$21,688 from the General Fund to the Water Fund. During 2009, the Village repaid \$3,601 from the General Fund to the Water Fund. This left an unpaid advance of \$10,736 due the Water Fund from the General Fund.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund and in the amount of \$10,736 in favor of the Water Fund.

FINDING NUMBER 2009-002

Noncompliance Citation/Significant Deficiencies

Ohio Rev. Code, Section 733.28, states, in part, that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived therefrom, and all taxes and assessments. Although the Village's fiscal officer maintained accounting records, the records contained numerous posting errors, and items were not posted to the system on a timely basis. In an attempt to reconcile the book activity to the bank activity, the Fiscal Officer would show adjusting factors (such as charges not recorded on the system or deposits not recorded on the system) on the bank reconciliation. As a result, the records maintained by the Village were not an accurate reflection of all moneys received and expended. The 2009 and 2008 financial statements include numerous audit adjustments and reclassifications which are detailed in the table below.

Ohio Rev. Code, Section 5705.09(F), states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose.

Ohio Rev. Code Section 5705.10(H) provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The Village did not properly record all Real Estate Tax receipts, Intergovernmental Receipts, Debt payments, and encumbrances into the appropriate Village funds and/or accounts. Audit adjustments resulting in net adjustments totaling \$1,812, as described in the table listed below, have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village.

**FINDING NUMBER 2009-002
 (Continued)**

Fund	Net Adjustment
General Fund	\$3,802
Water Fund (5101)	(549)
Sewer Operating Fund (5201)	(2,600)
Sewer Operating Fund (5203)	2,600
Utility Deposit Fund (5781)	(1,441)

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the Village's fiscal officer accurately maintain the Village's accounting records in accordance with the Uniform Accounting System prescribe by the Auditor of State. The Fiscal Officer should review the Village handbook and become familiar with the UAN account codes. The Village handbook contains the Uniform Accounting Network (UAN) account code listings. The Fiscal Officer should also obtain additional training to help learn the Uniform Accounting Network system. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. For added accountability, we recommend Council review all bank reconciliations and supporting documentation for accuracy and ensure that all reconciling items are justified.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. During 2009, the following funds had expenditures which exceeded appropriations.

Fund	Appropriations	Expenditures	Variance
ARRA Fund	\$0	\$16,250	(\$16,250)

During 2008, the following funds had expenditures which exceeded appropriations.

Fund	Appropriations	Expenditures	Variance
Utility Deposit Fund (5781)	\$10,000	\$11,786	(\$1,786)

Failure to monitor budgetary activity resulted in overspending and negative fund balances. We recommend the fiscal officer deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the fiscal officer provide budgetary reports to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Rev. Code, Sections 5705.36 and 5705.39, provide that appropriations shall not exceed the amount of estimated revenue available for expenditure as certified by the budget commission on the official certificate of estimated resources. Appropriations exceeded estimated resources as follows:

Fund	2009 Appropriations	2009 Certificate of Estimated Resources	Variance
General Fund	\$124,396	\$123,896	(\$500)
Police Fund	51,125	26,525	(24,600)
Water Fund (5101)	266,027	263,027	(3,000)
Water Debt Fund (5103)	72,372	65,372	(7,000)
Sewer Operating Fund (5201)	201,800	188,801	(12,999)
Sewer Debt Fund (5721)	111,799	111,299	(500)

Fund	2008 Appropriations	2008 Certificate of Estimated Resources	Variance
Police Fund	\$43,655	\$28,655	(\$15,000)
Sewer Operating Fund (5203)	183,144	173,287	(9,857)

Failure of the Village to monitor budgetary activity could result in overspending and negative fund balances. The management of the Village should monitor the budgetary receipts and expenditures. The fiscal officer should provide budgetary documents at least quarterly to be reviewed and approved by the Village Council. By regularly reviewing the budgetary documents throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

FINDING NUMBER 2009-005

Noncompliance Citation

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.

**FINDING NUMBER 2007-005
(Continued)**

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 did not properly certify the availability of funds for purchase commitments for 95% of the expenditures tested, and none of the exceptions above applied. Failure to properly certify the availability of funds 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 also is 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 that 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 method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. We also recommend that the Village establish a maximum amount for blanket certificates by resolution.

FINDING NUMBER 2009-006

Noncompliance Citation / Material Weakness

Farmer's Home Administration (FmHA) Loan Agreements between the Village and FmHA, dated October 12, 1984 and October 17, 1988 state in part that "To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserve."

The First Mortgage Water and Sewer Loans with FmHA require that reserve funds be established and maintained for these issues. FmHA requires that deposits for the Water Revenue Loan be made into the reserve fund at the minimum amount of 1/10th of an annual installment per year for ten (10) years. The Sewer Revenue Loan reserve fund was to be established equal to one (1) annual payment. The Village did not establish and maintain the appropriate reserve fund for either the Water Revenue Loan or the Sewer Revenue Loan until 2009.

Failure to establish the required reserve accounts could be construed as a default of the terms or covenants of the debt and could result in the debt holder declaring the entire principal amount then outstanding and accrued interest immediately due and payable.

FINDING NUMBER 2007-007

Noncompliance/Material Weakness

Ohio Rev. Code, Section 1905.21, requires the mayor to account for and dispose of all fines, forfeitures, fees and costs collected under Ohio Rev. Code, Section 733.40. **Ohio Rev. Code, Section 733.40**, requires that the Mayor maintain an accountability of all money collected in the name of the office. Specifically, that section states that except as otherwise provided in section 4511.193 of the Revised Code, all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury. Except as otherwise provided by sections 3375.50 to 3375.52 or 4511.19 of the Revised Code, all fines, and forfeitures collected by the mayor in state cases, together with all fees and expenses collected that have been advanced out of the county treasury, shall be paid by the mayor to the county treasury on the first business day of each month. Except as otherwise provided by sections 3375.50 to 3375.52 or 4511.19 of the Revised Code, the mayor shall pay all court costs and fees collected by the mayor in state cases into the municipal treasury on the first business day of each month.

The Village did not have adequate control procedures over the operation of the Mayor's Court. The following conditions were noted:

- The Village discontinued operations of the Village Mayor's Court during 2004. However, during 2009, the Village received \$300 in court fees. No documentation was attached to support the validity of the receipt. As of December 31, 2009, the bank account balance is \$3,019.
- Reconciliations were not performed during 2009 or 2008.
- An open items list was not maintained by the Village. An open items list would support the Mayor's Court ending balances and would facilitate the Court's monthly bank reconciliations.
- Distributions to the Village from the Mayor's Court were not issued.

**FINDING NUMBER 2007-007
(Continued)**

- The Mayor's Court continued collecting fines and depositing in the Court's bank account after it was closed in 2004, however; the cashbook was not maintained. Discontinued use of the Mayor's Court cashbook resulted in the inability to give accurate distributions of fines to the State and Village. The funds remaining in the Mayor's Court bank account have not been properly disbursed to the appropriate agencies or transferred to the Village.
- Payments to the Village and State should be remitted by the first Monday of each month. Payments were not were not distributed within the required time frame.

We recommend that Village officials review the amounts in the Mayor's Court account, determine the appropriate distribution, and distribute funds in a timely manner.

FINDING NUMBER 2009-008

Noncompliance Citation/Significant Deficiencies

Ohio Admin. Code, Section 117-2-01(A), provides that 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. Subsection (D) states that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Plan for adequate segregation of duties or compensating controls.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Ensure that the Village complies with debt covenants and budgetary compliance including transfers and advances.
- Ensure that Mayor's Court activity is being properly maintained.

The small size of the Village does not allow for an adequate segregation of duties. The Fiscal Officer processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that Council monitor financial activity.

Council's lack of monitoring the Village's financial activity such as reviewing monthly cash reconciliations and budgetary statements resulted in the following weaknesses:

- Receipts and expenditures were posted to improper funds or classified incorrectly;
- Reconciliations included unsupported reconciling items (adjusting items);
- During 2008, the first reconciliation attempt on the UAN system was during November, 2008;

**FINDING NUMBER 2009-008
(Continued)**

- Voided or cleared checks were presented on the list of outstanding warrants;
- Interest earned was not properly posted;
- Utility deposits were not posted to the Village's system on a timely basis;
- The Mayor's Court activity was not properly maintained.

The lack of timely financial reports and accurate fund balances significantly reduces Councils' ability to monitor the Village's financial position. This may create an environment which promotes future fraud or inaccurate financial reporting.

To help strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend the Village officials and management implement the following controls:

- Council should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer;
- Receipts should be posted to the UAN system upon receipt of the monies and/or deposit to ensure that monies are posted to the proper funds and line items;
- The Council members and Fiscal Officer should attend training on the proper procedures to follow in recording Village records and in conducting Village business. In addition, the Council members and Fiscal Officer should read and study the Ohio Revised Code, Ohio Administrative Code, Ohio Compliance Supplement and Ohio Village Manual to gain an understanding of the laws and procedures required to be followed to more effectively manage the Village;
- The Mayor should maintain an accurate account for Mayor's Court. See Schedule of Finding 2009-007;
- The Village should establish the required reserve funds as outlined in Finding 2009-006.

FINDING NUMBER 2009-009

Noncompliance Citation

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.

**FINDING NUMBER 2009-009
 (Continued)**

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.

Fund	2009 Actual Receipts plus 1/1/2009 Unencumbered Fund Balance	Appropriations	Variance (Appropriations in Excess of Actual Resources)
Police Fund	\$47,505	\$51,125	(\$3,620)
Water Fund (5101)	250,456	266,027	(15,571)
Water Debt Fund (5103)	71,372	72,372	(1,000)
Sewer Fund (5201)	169,438	201,800	(32,362)
Enterp. Imp. Fund (5701)	4,006	9,006	(5,000)
Sewer Debt Fund (5721)	111,299	111,799	(500)

Fund	2008 Actual Receipts plus 1/1/2008 Unencumbered Fund Balance	Appropriations	Variance (Appropriations in Excess of Actual Resources)
Police Fund	\$37,547	\$43,655	(\$6,108)
Water Fund (5101)	249,619	251,577	(1,958)
Water Imp. Fund (5102)	4,557	5,757	(1,200)
Water Debt Fund (5103)	59,395	60,395	(1,000)
Sewer Fund (5201)	189,931	194,987	(5,056)
Trash Fund (5601)	69,162	69,963	(801)
Sewer Op. Fund (5203)	165,287	183,144	(17,857)

The Village should monitor actual resources (i.e. beginning unencumbered fund balance plus actual receipts) to appropriations. If actual resources are less than appropriations, the Village should request a reduced certificate and reduce their appropriations. This will add a measure of control to the budgetary process by guarding against over appropriating and/or overspending.

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-002	Finding for Recovery- during 2002, court cost and fines were collected that should have been distributed to the State of Ohio per Ohio Rev. Code, Sections 2743.70, 2949.091, and 4513.263. These monies were deposited into the General Fund.	No	The Village has not remitted the payment to the State of Ohio.
2007-001	Finding for Adjustment for the Water Fund and against the General Fund	No	Reissued as Finding 2009-001 (Partially Corrected)
2007-002	Ohio Rev. Code, Sections 121.22, 149.43 and 733.27 imposes a duty on the Village to maintain a full and accurate record of their proceeds. The village did not maintain a full and accurate record of the Council's proceedings.	No	Issue as Management Letter (Partially Corrected)
2007-003	Ohio Rev. Code, Section 733.28, requires the Village to maintain complete and accurate accounting records of the Village. Although the Village maintained accounting records, the records contained numerous posting errors. As a result, the records maintained by the Village were not an accurate reflection of all moneys received and expended.	No	Reissued as Finding 2009-002

Village of New Vienna
Clinton County
Schedule of Prior Audit Findings
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2007-004	Ohio Rev. Code, Section 5705.41(B) prohibits a subdivision from making an expenditure unless monies have been properly appropriated. Numerous funds had expenditures in excess of appropriated amounts.	No	Reissued as Finding 2009-003
2007-005	Ohio Rev. Code, Section 5705.36 and 5705.39 provides that appropriations shall not exceed estimated resources. Numerous funds had appropriations exceed the estimated resources,	No	Reissues as Finding 2009-004
2007-006	Ohio Rev. Code, Section 5705.41(D)(1) requires that no subdivision or taxing unit shall make any contract without prior certification that the amounts to meet the obligation are lawfully appropriated and are available. Numerous funds had expenditures in excess of appropriated amounts.	No	Reissued as Finding 2009-005
2007-007	Farmer's Home Administration (FmHA) Loan Agreements require that reserve funds be established and maintained for the debt issues. The Village did not establish and maintain the appropriate reserve fund for either the water Revenue Loan or the Sewer Revenue Loan.	Yes-2009	Reissued as Finding 2009-006 (Corrected in 2009)
2007-008	The Village discontinued operations of the Village Mayor's Court during 2004; however a balance of \$3,019 needs to be distributed to the appropriate agencies to close out the Mayor's Court Fund.	No	Reissued as Finding 2009-007
2007-009	Inadequate segregation of duties and oversight weaknesses were noted.	No	Reissued as Finding 2009-008 (Partially Corrected)
2007-010	Available Resources were less than appropriations in several fund and amendments were not obtained.	No	Reissued as Finding 2009-009



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW VIENNA

CLINTON 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
AUGUST 17, 2010**