



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
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.

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

Mary Taylor, CPA
Auditor of State

July 17, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Vienna
Clinton County
97 West Main Street
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, 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 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 Government 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.

The Village did not provide sufficient documentation supporting the Mayor's Court receipts and disbursements as recorded in the Agency Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts and disbursements recorded for the Agency Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Mayor's Court receipts represent 100% of receipts and disbursements recorded in the Agency Fund.

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. Had this amount not been advanced from the Water Fund, the effect would have been to increase the cash balance and decrease disbursements of the Water Fund by \$51,933 to \$62,746 and to decrease the cash balance and receipts of the General Fund by \$51,933 to (\$37,129) as of and for the year ended December 31, 2005.

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). 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.

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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flow of its proprietary funds for the years then ended.

Also, in our opinion, except for the effects of the Village's failure to establish the required reserve funds in the Water and Sewer Funds and the advance from the Water Fund to the General Fund, and except for the effects of adjustments, if any, as might have been determined to be necessary had we been able to examine documentation supporting Mayor's Court receipts and disbursements, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of New Vienna, Clinton County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 14, the Village is experiencing certain financial difficulties. See Note 14 for management's plans.

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 17, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 17, 2008

**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, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$31,297	\$36,449	\$67,746
Intergovernmental Receipts	37,935	52,374	90,309
Special Assessment	854		854
Fines, Licenses, and Permits	10,167		10,167
Earnings on Investments	969		969
Miscellaneous	6,358	197	6,555
	<u>87,580</u>	<u>89,020</u>	<u>176,600</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	6,158	50,387	56,545
Basic Utility Services	3,683		3,683
Transportation		11,022	11,022
General Government	63,188		63,188
Debt Service:			
Redemption of Principal	3,562	1,131	4,693
Interest and Other Fiscal Charges	601	602	1,203
	<u>77,192</u>	<u>63,142</u>	<u>140,334</u>
Total Receipts Over/(Under) Disbursements	<u>10,388</u>	<u>25,878</u>	<u>36,266</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		4,245	4,245
Advances-In		3,000	3,000
Transfers-Out	(4,245)		(4,245)
Advances-Out	(5,000)		(5,000)
	<u>(9,245)</u>	<u>7,245</u>	<u>(2,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,143	33,123	34,266
Fund Cash Balances, January 1	<u>13,661</u>	<u>31,952</u>	<u>45,613</u>
Fund Cash Balances, December 31	<u>\$14,804</u>	<u>\$65,075</u>	<u>\$79,879</u>
Reserves for Encumbrances, December 31	<u>\$3,521</u>	<u>\$2,983</u>	<u>\$6,504</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<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	\$380,048	\$0	\$380,048
Total Operating Cash Receipts	<u>380,048</u>	<u>0</u>	<u>380,048</u>
Operating Cash Disbursements:			
Personal Services	22,906		22,906
Fringe Benefits	5,090		5,090
Contractual Services	136,677		136,677
Supplies and Materials	35,111		35,111
Other	5,047		5,047
Capital Outlay	45,953		45,953
Total Operating Cash Disbursements	<u>250,784</u>	<u>0</u>	<u>250,784</u>
Operating Income/(Loss)	<u>129,264</u>	<u>0</u>	<u>129,264</u>
Non-Operating Cash Receipts:			
Special Assessments	275		275
Court Collections		346	346
Proceeds from Debt Issuances	33,123		33,123
Other Financing Sources	3,500		3,500
Total Non-Operating Cash Receipts	<u>36,898</u>	<u>346</u>	<u>37,244</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	83,517		83,517
Interest and Other Fiscal Charges	73,968		73,968
Total Non-Operating Cash Disbursements	<u>157,485</u>	<u>0</u>	<u>157,485</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	8,677	346	9,023
Transfers-In	114,825		114,825
Advances-In	2,000		2,000
Transfers-Out	(114,825)		(114,825)
Net Receipts Over/(Under) Disbursements	<u>10,677</u>	<u>346</u>	<u>11,023</u>
Fund Cash Balances, January 1	<u>106,865</u>	<u>1,813</u>	<u>108,678</u>
Fund Cash Balances, December 31	<u>\$117,542</u>	<u>\$2,159</u>	<u>\$119,701</u>
Reserve for Encumbrances, December 31	<u>\$15,518</u>	<u>\$0</u>	<u>\$15,518</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, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$26,670	\$33,463	\$60,133
Intergovernmental Receipts	39,304	48,609	87,913
Fines, Licenses, and Permits	18,398		18,398
Earnings on Investments	8,709	63	8,772
Miscellaneous	5,541	901	6,442
	<u>98,622</u>	<u>83,036</u>	<u>181,658</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,826	71,709	75,535
Basic Utility Services	2,943		2,943
Transportation		14,401	14,401
General Government	71,465		71,465
Debt Service:			
Redemption of Principal	6,459		6,459
Interest and Other Fiscal Charges	74		74
	<u>84,767</u>	<u>86,110</u>	<u>170,877</u>
Total Receipts Over/(Under) Disbursements	<u>13,855</u>	<u>(3,074)</u>	<u>10,781</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		14,600	14,600
Advances-In	51,933	1,500	53,433
Transfers-Out	(20,787)		(20,787)
Advances-Out	(3,000)		(3,000)
	<u>28,146</u>	<u>16,100</u>	<u>44,246</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	42,001	13,026	55,027
Fund Cash Balances, January 1	<u>(28,340)</u>	<u>18,926</u>	<u>(9,414)</u>
Fund Cash Balances, December 31	<u>\$13,661</u>	<u>\$31,952</u>	<u>\$45,613</u>
Reserves for Encumbrances, December 31	<u>\$832</u>	<u>\$1,783</u>	<u>\$2,615</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$343,334	\$0	\$343,334
Total Operating Cash Receipts	<u>343,334</u>	<u>0</u>	<u>343,334</u>
Operating Cash Disbursements:			
Personal Services	34,675		34,675
Fringe Benefits	2,750		2,750
Contractual Services	223,478		223,478
Supplies and Materials	49,250		49,250
Other	2,853		2,853
Capital Outlay	92,729		92,729
Total Operating Cash Disbursements	<u>405,735</u>	<u>0</u>	<u>405,735</u>
Operating Income/(Loss)	<u>(62,401)</u>	<u>0</u>	<u>(62,401)</u>
Non-Operating Cash Receipts:			
Intergovernmental	79,345		79,345
Special Assessments	32,574		32,574
Court Collections		20,187	20,187
Proceeds from Debt Issuances	31,871		31,871
Other Financing Sources	1,050		1,050
Total Non-Operating Cash Receipts	<u>144,840</u>	<u>20,187</u>	<u>165,027</u>
Non-Operating Cash Disbursements:			
Court Distributions		21,908	21,908
Redemption of Principal	36,341		36,341
Interest and Other Fiscal Charges	57,189		57,189
Total Non-Operating Cash Disbursements	<u>93,530</u>	<u>21,908</u>	<u>115,438</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(11,091)	(1,721)	(12,812)
Transfers-In	102,514		102,514
Advances-In	1,500		1,500
Transfers-Out	(96,327)		(96,327)
Advances-Out	(51,933)		(51,933)
Net Receipts Over/(Under) Disbursements	(55,337)	(1,721)	(57,058)
Fund Cash Balances, January 1	<u>162,202</u>	<u>3,534</u>	<u>165,736</u>
Fund Cash Balances, December 31	<u>\$106,865</u>	<u>\$1,813</u>	<u>\$108,678</u>
Reserve for Encumbrances, December 31	<u>\$3,467</u>	<u>\$0</u>	<u>\$3,467</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, 2005 AND 2004**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of 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 collection services and police services.

The Village participates in a jointly governed organization and the Public Entities Pool of Ohio public entity risk pool. Notes 11 and 7 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

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

Public Entity Risk Pool:

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

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 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:

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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/ Other Special Revenue 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.

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.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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. The Village did not encumber all commitments required by Ohio law.

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

2. Equity in Pooled Cash and Investments

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

	2005	2004
Demand deposits	\$174,580	\$154,291
Certificates of deposit	25,000	0
Total deposits	\$199,580	\$154,291

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

3. Budgetary Activity

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

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,228	\$87,580	(\$17,648)
Special Revenue	106,060	93,265	(12,795)
Enterprise	523,361	531,771	8,410
Total	\$734,649	\$712,616	(\$22,033)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,337	\$87,958	(\$53,621)
Special Revenue	22,664	66,125	(43,461)
Enterprise	100,061	538,612	(438,551)
Total	\$157,062	\$692,695	(\$535,633)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,000	\$98,622	(\$29,378)
Special Revenue	122,165	97,636	(24,529)
Enterprise	591,600	590,688	(912)
Total	\$841,765	\$786,946	(\$54,819)

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

3. Budgetary Activity (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129	\$106,386	(\$106,257)
Special Revenue	39	87,893	(87,854)
Enterprise	0	599,059	(599,059)
Total	\$168	\$793,338	(\$793,170)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2005: General Fund; Street Construction & Maintenance Fund; Other Special Revenue Fund; Water Operating Fund; Water Improvement Fund; Water Debt Fund; Sewer Operating Fund; Other Enterprise Operating Fund and the Enterprise Debt Service Fund.

For the year ended December 31, 2004, the Village could not provide executed appropriations for the year. Additionally, no appropriation measure was filed with the County Auditor. Therefore, budgetary expenditures exceeded appropriation authority for all funds.

The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments.

Contrary to Ohio law, monies received by the Village were not always posted to the particular fund specified by their purpose. Almost all funds had some adjustment required.

4. Property Tax

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

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

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

5. Debt

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
OWDA Sewer Improvement Loan	\$181,074	2.00%
OWDA Water System Improvement Loan	192,032	5.14%
OWDA Sewer System Planning & Design Loan	199,323	5.65%
OWDA Sewer Construction Loan	192,264	5.74%
OPWC Water System Repair & Replacement Loan	89,919	0.00%
First Mortgage Water Revenue Loan	293,000	5.00%
First Mortgage Sewer Revenue Loan	509,000	5.00%
National Bank & Trust Backhoe Loan	30,674	4.99%
Total	\$1,687,286	

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 and the Enterprise Sewer 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 and the Enterprise Water Fund.

The OWDA Sewer System Planning & Design loan relates to a wastewater planning and design project. The OWDA approved the loan in July, 2001 in the amount of \$187,600. 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 balance, plus interest, is expected to be rolled over into a new loan once the project is complete.

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 and the Enterprise Sewer Fund.

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

5. Debt (Continued)

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 General Fund, the Enterprise Water Debt Service Fund and the Enterprise Water 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.

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 has not established this reserve fund, which is a violation of the loan agreement.

D. First Mortgage Sewer Revenue Loan (FmHA):

The Farmer's 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 has not paid the required payment into the fund, which is a violation of the loan agreement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

5. Debt (Continued)

E. Backhoe Equipment Loan:

The Backhoe Equipment Loan was initiated in September, 2001 and was re-financed in July, 2005. The purpose of the 2001 loan was to finance the purchase of a John Deere backhoe and the purpose of the 2005 re-finance loan was to restructure the remaining debt. The original loan was issued for \$46,402 in 2001 and the re-finance loan totaled \$33,123 in 2005. The re-finance loan is at an interest rate of 4.99% and is to be repaid with equal monthly payments, over a period of 5 years. In 2004, loan repayments were made through the Enterprise Water Fund and the Enterprise Sewer Fund. However, during 2005, the Village made loan repayments from the General Fund, the Special Revenue Street Fund, the Special Revenue State Highway Improvement Fund, the Enterprise Water Fund, and the Enterprise Sewer Fund.

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

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
2006	\$23,382	\$12,910	\$203,902	\$14,094	\$2,430
2007	23,382	12,910		14,094	4,860
2008	23,382	12,910		14,094	4,860
2009	23,382	12,910		14,094	4,860
2010	23,382	12,910		14,094	4,860
2011 - 2015	81,837	64,550		70,470	24,300
2016 - 2020		64,550		70,470	24,300
2021 - 2025		64,550		70,470	19,449
2026 - 2030		64,550		70,470	
2031 - 2035		45,185		28,188	
Total	<u>\$198,747</u>	<u>\$367,935</u>	<u>\$203,902</u>	<u>\$380,538</u>	<u>\$89,919</u>

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

5. Debt (Continued) (Updated Backhoe Loan Amortization for Re-Finance)

Year ending December 31:	First Mortgage Water Revenue Loan	First Mortgage Sewer Revenue Loan	Backhoe Equipment Loan	Total Debt
2006	\$24,650	\$37,450	\$7,513	\$326,331
2007	24,150	37,850	7,513	124,759
2008	24,650	38,200	7,513	125,609
2009	24,100	37,500	7,513	124,359
2010	24,550	37,800	4,383	121,979
2011 - 2015	120,400	188,050		549,607
2016 - 2020	120,800	188,250		468,370
2021 - 2025	97,000	189,700		441,169
2026 - 2030		113,450		248,470
2031 - 2035				73,373
Total	<u>\$460,300</u>	<u>\$868,250</u>	<u>\$34,435</u>	<u>\$2,604,026</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 the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 of their gross salaries and the Village contributed an amount equaling 13.55 of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

7. Risk Management (Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do 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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

7. Risk Management (Continued)

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$36,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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.

<u>Contributions to PEP</u>	
2003	\$16,551
2004	\$22,300
2005	\$17,909

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must 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 the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

8. Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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

9. Prior Period Adjustments

The Village posted several prior period adjustments to beginning fund balances as of January 1, 2004. These adjustments are reflected in the following table and represent checks that were voided in 2004, but written prior to December 31, 2003.

Fund Type	Fund Balance 12/31/2003	Prior Period Adjustment	Fund Balance 1/1/2004
General	(\$29,460)	\$1,120	(\$28,340)
Special Revenue	18,841	85	18,926
Enterprise	162,078	124	162,202
Agency	3,534	0	3,534
Totals:	<u>\$154,993</u>	<u>\$1,329</u>	<u>\$156,322</u>

10. 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, 2005, these funds had not been repaid to the Water Fund and represented a liability from the General Fund to the Water Fund in the amount of \$51,933.

The adjusted fund balance for the Village's General Fund at December 31, 2005 was \$14,804.40. With the application of the fund liability the Village's General Fund would be operating in a deficit situation.

11. 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.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

12. Material Noncompliance

The Village did not properly receipt monies into the established funds as required by Ohio Revised Code, Sections 5705.09 and 5705.10. The Village failed to accurately maintain the Village's books as required by Ohio Revised Code, Section 733.28. The Village's budgetary expenditures exceeded the appropriation authority as required by Ohio Revised Code, Section 5705.41(B). 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).

The Village did not maintain a debt serve reserve fund in accordance with Village Resolution.

13. Subsequent Events

Issuance and Rollover of Debt

The Village's OWDA Sewer System Planning & Design Loan with a principal balance of \$199,323 as of December 31, 2005 was rolled into the Sewer Improvement Project which was completed in 2007. The new OWDA Sewer Pump Station & 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 includes the payoff of the OWDA Sewer System Planning & Design Loan. The interest rate for this loan is set at 3.92% and will have a term of 30 years.

14. Financial Difficulties and Management's Plans

During the 2005 and 2004, the Village could not initially provide certain documentation related to the Village's official business. Some items were ultimately duplicated by the Village's financial institution. Written Council meeting minutes for the period February 2004 through April 2004 and August 2004 were not presented for audit. Although the Village Clerk maintained accounting records, the records contained numerous posting errors. The Village did not properly record all Real Estate Tax receipts, Homestead and Rollback receipts, Court fine receipts, utility receipts, Motor Vehicle Tax receipts, Gas Tax receipts, and other intergovernmental receipts into the appropriate Village funds.

The Village processed an advance from the Water Fund to the General Fund in September, 2004 totaling \$51,933. The Village is required to repay the Water Fund for these monies borrowed. As of December 31, 2005, the General Fund's reported balance is \$14,804, however with obligation of \$51,933, the General Fund balance would be (\$37,129).

During 2004, the Village experienced significant turnover in the administration of the financial operations of the Village. In December, 2004, the Village hired a Fiscal Officer who continues to serve the Village in this capacity. The stability in staffing has allowed the recent and current administration to avoid many of the fiscal disruptions that occurred in 2004.

The Village management is exhibiting a proactive involvement in monitoring the financial operations of the Village. The Village is working to hold the line on expenditures for general operations.

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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
New Vienna, Ohio 45159

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, 2005 and 2004, and have issued our report thereon dated July 17, 2008, 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 qualified our report on the Mayor's Court receipts and disbursements for a lack of supporting documentation for court transactions recorded in the Agency Fund, on the advance from the Water Fund to the General Fund and on the lack of a required reserve for the utility loans. We also noted 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 the Village is experiencing certain financial difficulties. 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

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-001 through 2005-003, 2005-005 through 2007, 2005-011 through 2005-013 and 2005-015 listed above to be material weaknesses. In a separate letter to the Village's management dated July 17, 2008, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-011.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 17, 2008.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 17, 2008

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Finding for Adjustment/Noncompliance Citation/ Material Weakness

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.

Ohio Rev. Code, Sections 5705.09(F) and 5705.10, restrict the use of Water Fund to utility related disbursements. Had this amount been properly returned from the General Fund to the Water Fund, the effect would have been to increase the cash balance of the Water Fund by \$51,933 to \$62,746 and to decrease the cash balance of the General Fund by \$51,933 to (\$37,129) as of and for the year ended December 31, 2005.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund and in the amount of \$51,933 in favor of the Village of New Vienna's Water Fund.

FINDING NUMBER 2005-002

Noncompliance Citation/ Material Weakness:

Ohio Rev. Code, Section 149.351(A), provides, in part, that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

During 2005 and 2004, the Village could not *initially* provide certain documentation related to the Village's official business. Some items were ultimately duplicated by the Village's financial institution.

- Minutes, ordinances, or resolutions in written form; No written minutes were provided for the Council meetings held during the period February through April, 2004 and the first meeting of August, 2004;
- Documentation relating to certain debt issues;
- Certain Bank statements for February through November, 2005 and January through August, 2004 and November and December, 2004 for the Mayor's Court Account;
- Vouchers and supporting documentation for all Village expenditures; and

**FINDING NUMBER 2005-002
(Continued)**

- Supporting documentation for certain miscellaneous receipts.

We were unable to audit the Mayor's Court receipts or to perform alternative auditing procedures to ensure accountability over the applicable receipts. The Village should develop policies and procedures

outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

During our fieldwork the Village was declared unauditible. The reason for the unauditible status described in the letter was: "we have been unable to substantiate certain adjustments and reconciliation differences for 2004 and 2005. Other support documentation such as meeting for February, March, April and August, 2004 council meetings; expenditure documentation for several transaction for several transactions during 2004 and 2005; and inaccurate posting of revenues and disbursements from the Village funds are still needed to complete the audit".

FINDING NUMBER 2005-003

Noncompliance Citation /Material Weakness:

Ohio Rev. Code, Section 5705.10(H), requires that money paid into any fund shall be used only for the purpose for which such fund is established. As of December 31, 2005, the General Fund had a positive cash fund balance of \$14,804. However, this balance includes funds that were advanced in 2004, from the Village's Water Operating Fund to the General Fund in the amount of \$51,933, which had not been repaid as of December 31, 2005. Refer to Finding number 2005-001 for additional information and a finding for adjustment regarding this advance.

This condition indicates that cash from other funds was used to pay the obligations of the General Fund.

We recommend that the Village adopt procedures to properly monitor fund balances. The Clerk should not certify available funds or pay amounts that create deficits.

FINDING NUMBER 2005-004

Noncompliance Citation:

A reading of **White v. Clinton Cty. Bd. of Comm'rs., (1996) 76 Ohio St.3d 416, Ohio Rev. Code, Sections 121.22, 149.43 and 733.27**, impose a duty on the village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. State, ex rel. The Fairfield Leader v. Ricketts, (1990) 56 Ohio St.3d 97. The following items were noted:

- Written Council meeting minutes for the following periods could not be presented for meetings held during the period February through April, 2004 and the first meeting of August, 2004.
- Previous Council meeting minutes were not approved at 4 out of 36 (11.1%) meetings documented;
- Financial Reports were not noted as received or approved during 3 out of the 24 (12.5%) month period;
- Village financial information was not always presented for approval of Council;

**FINDING NUMBER 2005-004
(Continued)**

- Bills were not approved by the Council at 8 out of 36 (22.2%) meetings documented; and
- Council meeting minutes were not signed by the appropriate Village officials attesting to the accuracy of the written record for 13 out of 36 (36.1%) meetings documented;

As the Council speaks only through its record of proceedings (minutes), the following recommendations were made to ensure that the minutes properly reflect parliamentary procedures and the actions of the council.

- Minutes should be prepared on a timely basis and presented at the subsequent Council meeting and approved by Council. All resolutions and ordinances should be numbered and made a part of a permanent record of proceedings;
- All council actions should be indexed under proper headings to provide easy access to all Village resolutions;
- Minutes should be signed by the Village officials affirming their accuracy;
- Each topic, resolution, motion, etc. should be sub-headed or identified either in the margin or at the head of each paragraph for easier reading and referencing;
- Review of the annual financial data, including budgets, appropriations, transfers, required reports, and any advertisements for the same, should be documented as a permanent part of the minute records.

Prompt review of the minutes allows Council the ability to make any necessary changes in a timely fashion. Implementation of these procedures would aid in ensuring that the minute record would be an accurate reflection of the council's actions and would assist in locating specific actions of the council.

FINDING NUMBER 2005-005

Noncompliance Citation/ Material Weakness:

Ohio Rev. Code, Section 733.28, states, in part, that the Village Clerk should keep the books of the Village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived thereof, and all taxes and assessments. Although the Village Clerk 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. The 2005 and 2004 financial statements include numerous audit adjustments and reclassifications which are detailed in finding 2005-007.

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 accurately maintain the Village's accounting records in accordance with the uniform accounting system prescribe by the Auditor of State. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. For added accountability, we recommend Council review all bank reconciliations for accuracy and ensure that all reconciling items are justified.

FINDING NUMBER 2005-006

Noncompliance Citation/ Material Weakness:

Ohio Rev. Code, Sections 5705.14, 5705.15 and 5705.16, provide the requirements under which a subdivision may transfer funds from one fund to any other fund of the subdivision. Ohio Rev. Code Section 5705.14(E) provides that money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority. Ohio Rev. Code Sections 5705.14 and 5705.16 provide that except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Therefore, all transfers must be approved by the Village Council.

Approval for certain transfers and advances were not noted in the minutes.

During 2004, the Village posted a fund advance of \$51,933 from the Water Fund (5101) to the General Fund (1000.) As of December 31, 2005, these funds had not been repaid to the General Fund. These funds represent a liability from the General Fund to the Water Fund. Finding 2005-001 includes a finding for adjustment related to this transaction.

We recommend that all transfers and advances be approved in accordance with the above sections of code and that the approval be duly noted in the Council meeting minutes. We further recommend that the Village provide for the full repayment of the advance noted above.

FINDING NUMBER 2005-007

Noncompliance Citation/ Material Weakness:

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, Homestead and Rollback receipts, Court fine receipts, utility receipts, Motor Vehicle License Tax receipts, Gas Tax receipts, and other Intergovernmental receipts into the appropriate Village funds. Audit adjustments resulting in net adjustments totaling \$27,159, 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.

In addition to the reclassifications and fund balances mentioned above, the Village recorded a disbursement transaction during 2005 for \$25,000 to the Utilities Deposit Fund for the purchase of a Certificate of Deposit. Since this was a transaction to move funds from the Village's depository account to an investment account, there should not have been a reduction of overall fund balances. Therefore, an adjustment is included in the following table.

**FINDING NUMBER 2005-007
 (Continued)**

<u>Fund/ Fund Number</u>	<u>Net Adjustment</u>
General Fund (1000)	(\$19,643)
Special Revenue Funds:	
Street Fund (2011)	16,371
State Highway Fund (2021)	(5,493)
Police- Other SR Fund (2901)	2,038
Debt Service Fund (3901)	(6,330)
Enterprise Funds:	
Water Fund (5101)	4,615
Water Improvement Fund (5102)	(50)
Water Debt Service Fund (5103)	6,330
Sewer Fund (5201)	3,931
Sewer Improvement Fund (5202)	(634)
Sewer Repair & Improvement Fund (5701)	(850)
Utilities Deposit Fund (5202)	24,715
Sub-Total - Net:	<u>\$25,000</u>
Agency Fund:	
Mayor's Court	<u>2,159</u>
Total - Net:	<u><u>\$27,159</u></u>

We recommend that the Village use due care when posting receipts to ensure that receipts are posted to the proper fund and line item. The Village handbook contains the Uniform Accounting Network (UAN) account code listings. The Clerk should review the Village handbook and become familiar with the UAN account codes.

FINDING NUMBER 2005-008

Noncompliance Citation:

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of the fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Village Council meeting minutes do not indicate the approval and passage of Permanent Appropriations for 2004 or 2005. Temporary Appropriations were passed for 2004 and 2005; however, the Village was unable to provide any detail relating to the approved temporary appropriation measure for 2004.

We recommend that the Village Council approve Permanent Appropriations in accordance with this section of the code and maintain all approved budgetary documentation.

FINDING NUMBER 2005-009

Noncompliance Citation:

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. During 2005 and 2004, the following funds had expenditures which exceeded appropriations:

<u>Fund/ Fund Number</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>December 31, 2005:</u>			
General Fund (1000)	\$34,337	\$89,959	(\$55,622)
Street Fund (2011)	9,989	21,814	(11,825)
Other Special Revenue Fund (2901)	3,403	42,185	(38,782)
Water Fund (5101)	34,681	183,597	(148,916)
Water Improvement Fund (5102)	13,452	27,599	(14,147)
Water Debt Fund (5103)	2,928	32,985	(30,057)
Sewer Fund (5201)	7,572	168,872	(161,300)
Trash Fund (5601)	4,058	59,494	(55,436)
Sewer Debt Service Fund (5721)		56,788	(56,788)
<u>December 31, 2004:</u>			
General Fund (1000)	\$129	\$109,386	(\$109,257)
Street Fund (2011)		26,462	(26,462)
State Highway Fund (2021)		1,737	(1,737)
Other Special Revenue Fund (2901)	39	59,694	(59,655)
Water Fund (5101)		331,832	(331,832)
Water Improvement Fund (5102)		10,000	(10,000)
Water Debt Fund (5103)		30,408	(30,408)
Sewer Fund (5201)		167,550	(167,550)
Sewer Improvement Fund (5202)		2,100	(2,100)
Trash Fund (5601)		50,084	(50,084)
Sewer Debt Service Fund (5721)		56,322	(56,322)
Utility Deposit Fund (5781)		2,697	(2,697)

We recommend that the Village implement procedures to provide for budgetary expenditures to be limited by the appropriation amounts authorized by the Village Council.

FINDING NUMBER 2005-010

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.

**FINDING NUMBER 2005-010
(Continued)**

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

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

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds for purchase commitments for sixty-three percent (63%) for 2005 and fifty percent (50%) for 2004 of 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 2005-011

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.

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. Also the Village should request a legal opinion from the Village solicitor on how to set-up the reserve account.

FINDING NUMBER 2005-012

Material Weakness:

During 2004, the Village experienced significant turnover in the Clerk's position. This condition led to numerous erroneous postings which may have been minimized through timely bank reconciliations and appropriate management review and monitoring of the Clerk's record keeping activities. During late 2004, the Village attempted to reconstruct the accounting records and complete bank reconciliations for all months. Certain postings to the Village bank account reconciliations were not easily verifiable by the Village management.

We recommend that the Village implement procedures to provide for adequate and appropriate management review and monitoring of the Clerk's record keeping activities and provide for appropriate review of completed bank reconciliations.

FINDING NUMBER 2005-013

Material Weakness:

The Village erroneously coded numerous debt principal and interest payments approximating \$50,433 as General Government, Contractual Services, Supplies and Materials, and Capital outlay expenditures. These postings required reclassification to the appropriate debt expenditure category (principal and interest).

Debt proceeds, totaling \$33,123, that were issued by the Village's financial institution for the refinancing of the backhoe equipment debt and on-behalf of transactions paid directly to vendors for the Village by the Ohio Water Development Authority were not recorded on the accounting records for the audit period.

We recommend that the Village implement procedures to provide for the accurate posting of debt payments to the appropriate expense category. We recommend that the Village record all debt proceeds on the accounting records whenever the Village receives the benefit of debt issuances or proceeds.

FINDING NUMBER 2005-014

Reportable Condition:

The Village inconsistently processed debt payments from various funds of the Village. In 2004, the Village split the total payments approximating \$6,200 for the Backhoe Equipment loan evenly between the Water and Sewer funds. However, in 2005, the same loan payments were split between the General Fund; the Street Fund; the State Highway Fund; the Water Fund; and the Sewer Fund.

Also in 2005, the Village made three loan payments approximating \$7,200 for the Ohio Public Works Commission (OPWC) Loan. The three payments were made from the General Fund, then the Water Fund, and finally from the Water Debt Service Fund.

Payments can be allocated to multiple funds as long as the payment is consistent with allowable uses for the fund, however during the course of debt repayment the Village should allocate payments consistently from the same and appropriate fund or funds. We recommend that the Village implement procedures to provide for debt payments being paid consistently from the appropriate fund or funds of the Village.

FINDING NUMBER 2005-015

Material Weakness:

The Village discontinued operations of the Village Mayor's Court during 2004. As of September, 2004, the Village had brought the Mayor's Court bank account to \$-0-, however during December, 2004 the Village deposited funds totaling \$1,812.85 (\$1,772.85 and \$40.00). Then, during February, 2005, the Village deposited funds totaling \$345.88. The February, 2005 deposit represents a repayment to the Mayor's Court ordered by a finding for recovery issued during the Village audit for the years ended December 31, 2003 and 2002.

The account balance at December 31, 2005 is \$2,158.73 and the Village needs to determine the appropriate distribution of these funds in accordance with the Ohio Rev. Code to close out the Village Mayor's Court account.

Officials' Response:

The Village has not responded to the findings in this report.

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**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Finding for Recovery – In accordance with Ohio Rev. Code, Section 117.28, a finding for recovery for public monies illegally expended was issued in the amount of \$345.88 in favor of the Village’s Mayor’s Court account.	Yes	
2003-002	Finding for Recovery – During 2002, court costs 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 Village’s General Fund. Therefore, in accordance with Ohio Rev. Code, Section 117.28, a finding for recovery for public monies illegally expended was issued in the amount of \$4,061 against the Village’s General Fund and in favor of the State of Ohio.	No	Not Corrected. The Village’s General Fund has not remitted payment to the State of Ohio.
2003-003	Ohio Rev. Code, Section 5705.10 requires that monies paid into any fund shall be used only for the purpose for which the fund was established. As of 12/31/03, the General Fund had a negative fund balance, which indicates that cash from other funds was used to cover obligations of the General Fund.	No	Partially Corrected. Reissued as Finding 2005-001
2003-004	Ohio Rev. Code, Section 149.351 requires that public records be maintained and not destroyed. Numerous public documents could not be located by the Village.	No	Reissued as Finding 2005-002
2003-005	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 2005-005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-006	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 proceedings. The Village did not maintain a full and accurate record of the Council's proceedings.	No	Reissued as Finding 2005-004
2003-007	Loan Resolutions with the Farmer's Home Administration, dated 1984, require the Village to establish reserve funds for the Water and Sewer Revenue Loans.	No	Reissued as Finding 2005-011
2003-008	Ohio Rev. Code, Section 5705.09, requires that each subdivision 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, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. Numerous audit adjustments were necessary to properly reflect receipts of the Village.	No	Reissued as Finding 2005-007
2003-009	Ohio Rev. Code, Sections 5705.36 and 5705.39, requires that appropriations be limited by total estimated resources. Appropriations exceeded estimated resources for numerous funds.	Yes	
2003-010	Ohio Rev. Code, Section 5705.41 (D) 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 expenditures were made without the proper certification prior to the Village entering into the obligation.	No	Reissued as Finding 2005-010
2003-011	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 2005-009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-012	Material Weakness – Numerous weaknesses were identified. The Village Council was not aware of their administrative function. The Village had few effective internal controls in place.	No	Partially Corrected. Certain issues identified in this finding were repeated and incorporated with other Findings issued for 2005/2004.
2003-013	Police tickets were lost or destroyed and no citation log was maintained by the Village.	Yes	
2003-014	The required debt instruments were on file at the Ohio Water Development Authority for review, however the Village did not take the responsibility to maintain most of the documents and reports relating to the Village's debt activity. The Village's involvement in the compliance of debt requirements is a significant control.	Yes	
2003-015	The Village had numerous individuals perform the Clerk's duties in the absence of the Clerk. This condition could allow for the diversion of funds through alteration of source documents. Also, bookkeeping errors occurred without detection in a timely manner.	No	Portions reissued as part of Finding 2005-012.



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 12, 2008**