



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW MIAMI
BUTLER COUNTY

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Mary Taylor, CPA
Auditor of State

Village of New Miami
Butler County
268 Whitaker Avenue
New Miami, Ohio 45011

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

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September 27, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Miami
Butler County
268 Whitaker Avenue
New Miami, Ohio 45011

To the Village Council:

We have audited the accompanying financial statements of the Village of New Miami, Butler 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.

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. For 2009, the Village processed 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.

As described in Note 1 B, the accompanying financial statements for the year ended December 31, 2008 present unclassified receipts and disbursements. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify receipt and disbursement transactions.

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.

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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, except for the omission of receipt and disbursement classifications for the year ended December 31, 2008, 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 Miami, Butler 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.

As discussed in Note 12 to the financial statements, the Village has restated their beginning fund balances for January 1, 2008 and January 1, 2009 due to the elimination of the Sewer Fund and correction of prior period posting errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 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

September 27, 2010

**VILLAGE OF NEW MIAMI
BUTLER 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Local Taxes	\$55,247	\$24,822			\$80,069
Municipal Income Tax	116,313				116,313
Intergovernmental	117,860	127,491		\$517,009	762,360
Special Assessments			\$18,218		18,218
Charges for Services	66,684	31,523			98,207
Fines, Licenses and Permits	34,743	210			34,953
Earnings on Investments	1,421	176			1,597
Miscellaneous	1,089	6,972			8,061
Total Cash Receipts	<u>393,357</u>	<u>191,194</u>	<u>18,218</u>	<u>517,009</u>	<u>1,119,778</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	65,014				65,014
Public Health Services	448				448
Leisure Time Activities	25,511				25,511
Basic Utility Service		6,612			6,612
Transportation	46,971	84,624			131,595
General Government	208,724	25,011			233,735
Debt Service:					
Redemption of Principal			7,849		7,849
Interest and Fiscal Charges		36,491	11,437		47,928
Capital Outlay	65,407	38,131		823,654	927,192
Total Cash Disbursements	<u>412,075</u>	<u>190,869</u>	<u>19,286</u>	<u>823,654</u>	<u>1,445,884</u>
Total Receipts Over/(Under) Disbursements	<u>(18,718)</u>	<u>325</u>	<u>(1,068)</u>	<u>(306,645)</u>	<u>(326,106)</u>
Other Financing Receipts / (Disbursements):					
Proceeds of Loans				294,797	294,797
Transfers-In		14,203		41,285	55,488
Transfers-Out	(56,777)				(56,777)
Advances-In		7,000			7,000
Advances-Out	(7,000)				(7,000)
Total Other Financing Receipts / (Disbursements)	<u>(63,777)</u>	<u>21,203</u>	<u>0</u>	<u>336,082</u>	<u>293,508</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(82,495)	21,528	(1,068)	29,437	(32,598)
Fund Cash Balances, January 1 (Restated-Note 12)	350,229	86,945	15,303	(3,251)	449,226
Fund Cash Balances, December 31	<u>\$267,734</u>	<u>\$108,473</u>	<u>\$14,235</u>	<u>\$26,186</u>	<u>\$416,628</u>
Reserve for Encumbrances, December 31	<u>\$470</u>	<u>\$5,307</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,777</u>

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

**VILLAGE OF NEW MIAMI
BUTLER 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	<u>\$542,503</u>	<u>\$381,214</u>	<u>\$923,717</u>
Total Operating Cash Receipts	<u>542,503</u>	<u>381,214</u>	<u>923,717</u>
Operating Cash Disbursements:			
Personal Services	106,069	14,637	120,706
Employee Fringe Benefits	57,253		57,253
Contractual Services	195,038		195,038
Supplies and Materials	43,404		43,404
Other	<u>11,213</u>	<u>699,399</u>	<u>710,612</u>
Total Operating Cash Disbursements	<u>412,977</u>	<u>714,036</u>	<u>1,127,013</u>
Operating Income/(Loss)	<u>129,526</u>	<u>(332,822)</u>	<u>(203,296)</u>
Non-Operating Cash Receipts:			
Intergovernmental	8,663		8,663
Miscellaneous Receipts	<u>23,327</u>	<u>314,213</u>	<u>337,540</u>
Total Non-Operating Cash Receipts	<u>31,990</u>	<u>314,213</u>	<u>346,203</u>
Non-Operating Cash Disbursements:			
Capital Outlay	29,550		29,550
Redemption of Principal	72,793		72,793
Interest and Other Fiscal Charges	<u>36,503</u>		<u>36,503</u>
Total Non-Operating Cash Disbursements	<u>138,846</u>	<u>0</u>	<u>138,846</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	22,670	(18,609)	4,061
Transfers-In	323,506		323,506
Transfers-Out	<u>(322,217)</u>		<u>(322,217)</u>
Net Receipts Over/(Under) Disbursements	23,959	(18,609)	5,350
Fund Cash Balances, January 1 (Restated-Note 12)	<u>35,795</u>	<u>129,047</u>	<u>164,842</u>
Fund Cash Balances, December 31	<u>\$59,754</u>	<u>\$110,438</u>	<u>\$170,192</u>
Reserve for Encumbrances, December 31	<u>\$26,919</u>	<u>\$32,134</u>	<u>\$59,053</u>

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

VILLAGE OF NEW MIAMI
BUTLER 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Unclassified	\$411,934	\$155,429	\$19,038	\$265,854	\$852,255
Total Cash Receipts	<u>411,934</u>	<u>155,429</u>	<u>19,038</u>	<u>265,854</u>	<u>852,255</u>
Cash Disbursements:					
Unclassified	389,601	128,833	19,588	265,854	803,876
Total Cash Disbursements	<u>389,601</u>	<u>128,833</u>	<u>19,588</u>	<u>265,854</u>	<u>803,876</u>
Total Receipts Over/(Under) Disbursements	<u>22,333</u>	<u>26,596</u>	<u>(550)</u>	<u>0</u>	<u>48,379</u>
Fund Cash Balances, January 1, (Restated-Note 12)	<u>314,415</u>	<u>100,216</u>	<u>15,853</u>	<u>3,702</u>	<u>434,186</u>
Fund Cash Balances, December 31	<u>\$336,748</u>	<u>\$126,812</u>	<u>\$15,303</u>	<u>\$3,702</u>	<u>\$482,565</u>

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

**VILLAGE OF NEW MIAMI
BUTLER 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**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>Agency</u>	
Cash Receipts:				
Unclassified	\$682,339	\$0	\$417,754	\$1,100,093
Total Cash Receipts	<u>682,339</u>	<u>0</u>	<u>417,754</u>	<u>1,100,093</u>
Cash Disbursements:				
Unclassified	674,102	1,301	361,294	1,036,697
Total Cash Disbursements	<u>674,102</u>	<u>1,301</u>	<u>361,294</u>	<u>1,036,697</u>
Net Receipts Over/(Under) Disbursements	8,237	(1,301)	56,460	63,396
Fund Cash Balances, January 1, (Restated-Note 12)	<u>(6,971)</u>	<u>1,301</u>	<u>73,777</u>	<u>68,107</u>
Fund Cash Balances, December 31	<u>\$1,266</u>	<u>\$0</u>	<u>\$130,237</u>	<u>\$131,503</u>

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

**VILLAGE OF NEW MIAMI
BUTLER 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 Miami, Butler County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and trash utilities, recreation and street maintenance. The Village contracts with the Butler County Sheriff's department to provide security of persons and property. The Village sewer operations are in the control of Butler County (see Note 10).

The Village participates in the Ohio Government Risk Management Plan, a risk-sharing pool available to the Ohio local governments. Note 8 to the financial statements provides additional information for this entity.

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).

The Village did not classify its receipts and disbursements in the accompanying financial statements for the year ended December 31, 2008. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

VILLAGE OF NEW MIAMI
BUTLER COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

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

Permissive Motor Vehicle License Tax Fund – This fund receives license tax money which is used to maintain Village streets.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Storm Water Loan Fund - This fund receives special assessment tax revenue to be used for debt service on Ohio Water Development Authority Loan #4403.

Armco Bond Retirement Fund – This fund receives special assessment tax revenue to be used for debt service on Ohio Water Development Authority Loan #4404.

4. Capital Project Funds

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

Water Supply / Water Storage Fund – This fund receives funds from the Ohio Public Works Commission for construction of the water supply / water storage system.

Storm Water Curb Fund – This fund receives funds from the Ohio Public Works Commission for construction of the storm water system.

5. 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.

Trash Fund - This fund receives charges for services from residents to cover trash service costs.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

The Village's private purpose trust fund [Relief to the Poor Fund] is for the benefit of families in need of assistance. Interest income is the source of revenue for this 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 account for payroll withholdings and the collection and distribution of sewer fees collected by the Village and remitted to Butler County. Per an agreement with Butler County dated February 26, 2004, New Miami surrendered operation of its sewer collection system and sewer treatment plant to Butler County on November 5, 2004. The Village established the Payroll Withholdings Clearing Fund in 2006.

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 function 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. For the year ending December 31, 2009, encumbrances outstanding at year end were carried over, and did not need to be reappropriated. For the year ending December 31, 2008, the Village did not use the encumbrance method of accounting and for the year ending December 31, 2009, the Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

2. Equity in Pooled Cash and Deposits

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

	2009	2008
Demand deposits	\$56,057	\$89,624
Certificates of deposit	317,144	316,030
Money Market Savings	213,619	208,414
Total deposits	586,820	614,068

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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$385,297	\$393,357	\$8,060
Special Revenue	204,710	212,397	7,687
Debt Service	18,218	18,218	0
Capital Projects	1,105,205	853,091	(252,114)
Enterprise	1,003,851	897,999	(105,852)
Total	\$2,717,281	\$2,375,062	(\$342,219)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$606,492	\$476,322	\$130,170
Special Revenue	275,275	196,176	79,099
Debt Service	19,700	19,286	414
Capital Projects	850,748	823,654	27,094
Enterprise	1,013,802	900,959	112,843
Total	\$2,766,017	\$2,416,397	\$349,620

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$421,740	\$411,934	(\$9,806)
Special Revenue	125,701	155,429	29,728
Debt Service	17,576	19,038	1,462
Capital Projects	4,000	265,854	261,854
Enterprise	789,977	682,339	(107,638)
Total	<u>\$1,358,994</u>	<u>\$1,534,594</u>	<u>\$175,600</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$498,505	\$389,601	\$108,904
Special Revenue	144,400	128,833	15,567
Debt Service	19,700	19,588	112
Capital Projects	0	265,854	(265,854)
Enterprise	762,995	674,102	88,893
Fiduciary	1,301	1,301	0
Total	<u>\$1,426,901</u>	<u>\$1,479,279</u>	<u>(\$52,378)</u>

The Village did not book on-behalf grant monies as required by Ohio Revised Code Section 5705.09(F).

Contrary to Ohio Revised Code Section 5705.36(A)(1), the Village did not complete a certificate of the total amount available for expenditure for 2008.

Contrary to Ohio Revised Code Section 5705.36(A)(4), appropriations exceeded the available fund balance in the Water Supply/Water Storage Fund in 2009 by \$21,908.

Contrary to Ohio Revised Code Section 5705.10(H), the Village had negative fund balances at December 31, 2008 for the following funds: Fire Grant, COPS, OVI, Fire Levy, FOJ, S.R. 127 Extension & Water Tower, Well #1 Revitalization, Phase II Augspurgen, and Enterprise Debt Service. The Village had negative fund balances at December 31, 2008 for the following funds: Police Levy and Enterprise Debt Service.

Contrary to Ohio Administrative Code Section 117-2-02(C)(1), the Village did not post any budgetary data to the accounting system.

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.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

4. Property Tax (Continued)

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. Local Income Tax

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Village contracts with the City of Hamilton to collect and administer the income taxes process. Income tax proceeds are posted to the General Fund.

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA 1988 Pure Water Loan (1783)	\$411,042	7.59%
OWDA 1988 Pure Water Catch-up Loan (1784)	\$6,258	7.59%
OWDA 2003 Waterline Extension Loan (3909)	\$48,220	4.28%
OWDA 2005 Phase II Stormwater Improvements Loan (4403)	\$214,960	3.79%
OWDA 2005 Waterline Extension Loan (4404)	\$80,901	3.79%
OWDA 2007 Well Rehabilitation Loan (4670)	\$58,574	1.50%
OWDA 2009 Water Tower Loan (5100)	\$60,161	4.45%
OPWC 2006 Booster Station Improvement Loan (CJ06J)	\$61,750	0.00%
OPWC 2006 Augspurgen Waterline Improvement Loan (CJ05J)	\$96,525	0.00%
OPWC 2007 Water Supply Improvements Loan (CJ01K)	\$5,200	0.00%
OPWC 2009 Storm Sewer Improvements Phase II Loan (CJ24M)	\$234,796	0.00%
Public Finance 2003 Fire Truck Lease	\$74,725	4.49%
GMAC 2006 Chevy Impala Lease	\$534	7.50%
Case 2007 Backhoe Lease	\$37,125	5.10%
Kansas State Bank 2009 Street Sweeper Lease	54,700	5.75%
Total	<u>\$1,445,471</u>	

The Ohio Water Development Authority (OWDA) 1988 loans (1783 & 1784) relate to a water expansion project that was mandated by the Ohio Environmental Protection Agency. The total amount of the loans issued was \$1,058,277. The loans are being repaid in semiannual installments of \$47,870, including interest, over 25 years. The last payment is due July 1, 2015. The loans are collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Loan payments are being paid from Fund 5721-Enterprise Debt Service.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

6. Debt (Continued)

The OWDA 2003 Waterline Extension Loan (3909) relates to a waterline improvement project. The total amount of the loan issued was \$75,000. The loan is being repaid in semiannual installments of \$3,414, including interest, over 15 years. The last payment is due July 1, 2018. The OWDA loan is collateralized by water customer connection and disconnection fees. Loan payments are being paid from Fund 5721-Enterprise Debt Service.

The OWDA 2005 Phase II Stormwater Improvements Loan (4403) relates to a storm water improvement project. The total amount of the loan awarded was \$228,000. The loan is being repaid in semi-annual installments of \$6,393, including interest, over 30 years. The last payment is due January 1, 2037. The OWDA loan is collateralized by special assessment fees. Loan payments are being paid from Fund 3101-Storm Water Loan Debt Service.

The OWDA 2005 Waterline Extension Loan (4404) relates to a waterline extension project. The total amount of the loan awarded was \$90,549. The loan is being repaid in semi-annual installments of \$3,249, including interest, over 20 years. The last payment is due January 1, 2027. The OWDA loan is collateralized by special assessment fees. Loan payments are being paid from Fund 3102-Armco Bond Retirement Debt Service.

The OWDA 2007 Well Rehabilitation Loan (4670) relates to a well rehabilitation project. The total amount of the loan awarded was \$65,760. The loan is being repaid in semi-annual installments of \$1,909, including interest, over 20 years. The last payment is due July 1, 2027. The OWDA loan is collateralized by water receipts. Loan payments are being paid from Fund 5721-Enterprise Debt Service.

The OWDA 2009 Water Tower Loan (5100) relates to the replacement of the Village's water tower. The total amount of the loan awarded was \$60,000. The loan is to be repaid in semi-annual installments of \$3,254, including interest, over 12 years. The first payment is due January 1, 2011 with the final payment due July 1, 2022.

The Ohio Public Works Commission (OPWC) 2006 Loan (CJ06J) relates to the booster station improvement. The total amount of the loan awarded was \$65,000. The loan is to be repaid in semi-annual installments of \$1,625 over 20 years. The last payment is due January 1, 2029. Loan payments are being paid from Fund 5721-Enterprise Debt Service.

The OPWC 2006 Loan (CJ05J) relates to the Augspurgen waterline improvement project. The total amount of the loan awarded was \$99,000. The loan is to be repaid in semi-annual installments of \$2,475 over 20 years. The last payment is due July 1, 2029. Loan payments are being paid from Fund 5721-Enterprise Debt Service.

The OPWC 2007 Loan (CJ01K) relates to water supply improvements. The total amount of the loan awarded was \$60,000. As of December 31, 2009, the Village has drawn \$5,200 on this loan. The loan will be repaid in semi-annual installments over 30 years. A payment amount and amortization schedule will be computed by OPWC upon completion of the project.

The OPWC 2009 Loan (CJ24M) relates to the storm sewer improvements project. The total amount of the loan awarded was \$300,000. As of December 31, 2009, the Village has drawn \$234,796 on this loan. The loan will be repaid in semi-annual installments over 20 years. A payment amount and amortization schedule will be computed by OPWC upon completion of the project.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

6. Debt (Continued)

The Public Finance 2003 Fire Truck lease/purchase agreement relates to a lease entered into September of 2003. The purchase price of the fire truck was \$164,645. The lease/purchase agreement will be repaid in semi-annual installments of \$10,309, including interest, with the last payment due August 27, 2013. Ownership of the fire truck transfers to the Village at the conclusion of the lease. The fire truck serves as collateral. Lease payments are being paid from Fund 2401-Fire Levy.

The GMAC 2006 Chevy Impala lease/purchase agreement relates to a lease entered into October of 2006. The purchase price of the car was \$17,291. The lease/purchase agreement will be repaid in 36 monthly installments of \$538, including interest. Ownership of the car transfers to the Village at the conclusion of the lease. The car serves as collateral. Lease payments are being paid from Fund 2402-Police Levy.

The Case 2007 Backhoe lease/purchase agreement relates to a lease entered into October of 2007. The purchase price of the backhoe was \$53,094. The lease/purchase agreement will be repaid in annual installments of \$10,493, including interest, with the last payment due November 1, 2013. Ownership of the backhoe transfers to the Village at the conclusion of the lease. The backhoe serves as collateral. Lease payments are being paid from Fund 2011-Street Fund and Fund 2101-Permissive Motor Vehicle License Tax Fund.

The 2009 Kansas State Bank Street Sweeper lease/purchase agreement relates to a lease entered into July of 2009. The purchase price of the street sweeper was \$54,700. The lease/purchase agreement will be repaid in annual installments of \$15,696, including interest, with the last payment due July 9, 2013. Ownership of the street sweeper transfers to the Village at the conclusion of the lease. The street sweeper serves as collateral. The first lease payment is due July 9, 2010.

The Village was approved for a 2009 Water Supply / Water Storage System Improvement Project loan by the OPWC. The amount of the loan is \$275,000. As of December 31, 2009, the Village has not drawn down any funds for this loan. The loan will be repaid in semi-annual installments over 20 years. The Village has pre-paid \$10,000 to OPWC. OPWC will apply the \$10,000 to the loan funds that are drawn down. A payment amount and amortization schedule will be computed by OPWC upon completion of the project.

Amortization of the above debt, including interest, is scheduled as follows. Amortization schedules have not yet been established for the OPWC 2007 Water Supply Loan (CJ01K) and the 2009 Storm Sewer Improvements Phase II Loan (CJ24M).

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

6. Debt (Continued)

Year ending December 31:	OWDA 1988 Pure Water Loan (1783)	OWDA 1988 Pure Water Catch-up Loan (1784)	OWDA 2003 Waterline Extension Loan (3909)	OWDA 2005 Phase II Stormwater Improvements (4403)
2010	\$47,153	\$717	\$3,414	\$6,393
2011	94,306	1,434	6,827	12,786
2012	94,306	1,434	6,827	12,786
2013	94,306	1,434	6,827	12,786
2014	94,306	1,434	6,827	12,786
2015-2019	94,306	1,434	27,308	63,934
2020-2024				63,934
2025-2029				63,934
2030-2034				63,934
2035-2037				31,969
Total	<u>\$518,683</u>	<u>\$7,887</u>	<u>\$58,030</u>	<u>\$345,242</u>

Year ending December 31:	OWDA 2005 Waterline Extension Loan (4404)	OWDA 2007 Well Rehabilitation Loan (4670)	OWDA 2009 Water Tower Loan (5100)	OPWC 2006 Booster Station Improvement Loan (CJ06J)
2010	\$3,249	\$1,909		\$1,625
2011	6,499	3,818	\$6,508	3,250
2012	6,499	3,818	6,508	3,250
2013	6,499	3,818	6,508	3,250
2014	6,499	3,818	6,508	3,250
2015-2019	32,494	19,090	32,540	16,250
2020-2024	32,494	19,090	19,524	16,250
2025-2027	16,247	11,454		14,625
Total	<u>\$110,480</u>	<u>\$66,815</u>	<u>\$78,096</u>	<u>\$61,750</u>

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

6. Debt (Continued)

Year ending December 31:	OPWC 2006 Augspurger Waterline Improvement (CJ05J)	Public Finance 2003 Fire Truck Lease	GMAC 2006 Chevy Impala Lease	Case 2007 Backhoe Lease
2010	\$2,475	\$20,617	\$538	\$10,493
2011	4,950	20,617		10,493
2012	4,950	20,617		10,493
2013	4,950	20,617		10,493
2014	4,950			
2015-2019	24,750			
2020-2024	24,750			
2025-2029	24,750			
Total	<u>\$96,525</u>	<u>\$82,468</u>	<u>\$538</u>	<u>\$41,972</u>

Year ending December 31:	Kansas State Bank 2009 Street Sweeper Lease
2010	\$15,696
2011	15,696
2012	15,696
2013	15,696
Total	<u>\$62,784</u>

7. 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 plan's 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.

8. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

8. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members’ Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

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

9. 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.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

10. Transfer of Sewer Operations

The Village surrendered operation of its sewer collection system and its sewer treatment plant in "as is" condition to Butler County on November 5, 2004, when the existing Ohio Environmental Protection Agency permits for the treatment plant expired. Once placed in control of the Village's sewer treatment plant and collection system, the County assumed the risk of operation of those assets as well as their maintenance. Butler County assumed the Village's outstanding OWDA 1999 Wastewater System loans on November 5, 2004 [Wastewater System Feasibility Loan (2817) and Wastewater System Engineering Loan (2164)].

11. Compliance

The Village Clerk did not maintain the books of the Village and exhibit accurate statements of monies received and expended as required by Ohio Administrative Code Section 117-2-02(A).

12. Restatement of Beginning Fund Balance

The Village ceased Sewer Operations on November 5, 2004. At this time, the remaining Sewer Fund balance should have been moved to the General Fund. Beginning fund balances at January 1, 2008, were restated as follows:

	General Fund	Enterprise Fund
Beginning Fund Balance, January 1, 2008	\$149,006	\$158,438
Sewer Fund moved to General Fund	165,409	(165,409)
Beginning Fund Balance, January 1, 2008, as Restated	314,415	(6,971)

The Fiscal Officer made adjustments to correct mispostings for periods prior to January 1, 2008. Beginning fund balances at January 1, 2009, were restated as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Agency Fund
Beginning Fund Balance, January 1, 2009	\$336,748	\$126,812	\$3,702	\$1,266	\$130,237
Restatement of Beginning Fund Balance	13,481	(39,867)	(6,953)	34,529	(1,190)
Beginning Fund Balance, January 1, 2009, as Restated	350,229	86,945	(3,251)	35,795	129,047



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 Miami
Butler County
268 Whitaker Avenue
New Miami, Ohio 45011

To the Village Council:

We have audited the financial statements of the Village of New Miami, Butler County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 27, 2010, which was qualified since the Village did not classify receipts and disbursements in its financial statements for the year ended December 31, 2008 and followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. The report also indicates the Village restated their fiscal year end 2008 beginning balances and notes and the Village used the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions for the year ended December 31, 2009. *Government Auditing Standards* consider this service to impair the Auditor of State's independence to the audit of the Village because the Auditor of State designed, developed, implemented and, as requested, operates UAN. 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 a certain deficiency in internal control over financial reporting, that we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

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 2009-003 and 2009-006 described in the accompanying schedule of findings to be material weaknesses.

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 finding 2009-002 described in the accompanying schedule of findings to be a significant deficiency.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001, and 2009-003 through 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 27, 2010.

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



Mary Taylor, CPA
Auditor of State

September 27, 2010

**VILLAGE OF NEW MIAMI
BUTLER COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Finding for Recovery

Village of New Miami Council Resolution 2006-21 re-appointed Joseph Ebbing to serve as Fiscal Officer indefinitely in a full time, overtime exempt forty (40) hour per week position. Although Mr. Ebbing served in an overtime exempt capacity he was incorrectly paid for holiday overtime hours, totaling \$1,350, as follows:

Check #	Date	Holiday Overtime Hours	Rate Of Pay	Overpayment Amount
49012	January 11, 2008	24	\$56.25	\$1,350

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Joseph Ebbing, Village Fiscal Officer, and his bonding company Selective Insurance Company of America, in the amount of \$1,350, and in favor of the Village of New Miami General Fund.

FINDING NUMBER 2009-002

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village lacks management oversight in the posting of receipts. This lack of oversight is illustrated by the following:

- The Village posted State gasoline tax revenues of \$3,428 in 2008 and \$3,297 in 2009 that should have been posted to the State Highway Fund to the Street Fund.
- The Village posted income tax receipts to the General Fund at net rather than gross, understating revenues and expenditures by \$15,264 for 2008 and \$7,977 in 2009.
- Tax settlements were posted at net for 2008 understating revenues and expenditures for the General Fund by \$1,780 and Fire Fund by \$424.

Adjustments were posted to the accompanying financial statements and the Village's accounting records. Failure to properly post revenue can result in inaccurate records and cause the Village to misappropriate funds. We recommend that the Village properly post all federal, state, and local revenue receipts. Receipts posted to the receipt ledger should be reviewed for accuracy. Comparisons between years may aid in the determination if a receipt has been properly posted.

FINDING NUMBER 2009-003

Noncompliance Citation/Material Weakness

Ohio Revised Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Fiscal Officer shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Village recording the appropriations, Ohio Revised Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Fiscal Officer did not record the Ohio Public Works Commission (OPWC) and Community Development Block Grant (CDBG) monies disbursed on behalf of the Village during the audit period, nor was the grant money included in the appropriations by the Village Council. The Village adjusted the accompanying financial statements to reflect receipts and disbursements of \$265,854 (OPWC) for the year ended December 31, 2008 and \$21,000 (CDBG) for the year ended December 31, 2009.

Failure to record these items can result in misleading financial statements. We recommend that the Village following the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants.

FINDING NUMBER 2009-004

Noncompliance Citation

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

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

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

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

**FINDING NUMBER 2009-004
(Continued)**

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 during 2008, nor was there evidence that the Village followed the aforementioned exceptions; and 20 of 30 expenditures (67%) tested for 2009 were not properly encumbered. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 the 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 certify purchases to which section 5705.41(D) applies. The most convenient certification 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. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Administrative Code, Section 117-2-02(A), states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Administrative Code, Section 117-2-02(C)(1), states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. The Village did not post budgetary data (estimated resources and appropriations) to a budgetary ledger to be used for monitoring purposes. The Village did not maintain accounting ledgers which compared actual receipts to estimated receipts, nor actual expenditures plus outstanding encumbrances to appropriations. As a result of not maintaining this documentation, we noted the following control weaknesses and noncompliance with Ohio Revised Code. Most of the following conditions existed during the prior audit (see Schedule of Prior Audit Findings).

**FINDING NUMBER 2009-005
 (Continued)**

The Village did not post estimated receipts and appropriations for 2008 to their accounting system. Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. In addition, it could result in a more than inconsequential misstatement on the financial statement budgetary reporting. The official certificates of estimated resources and appropriation resolutions, as well as any amendments, should be promptly and accurately posted to the Village's accounting system. Once posted, the Fiscal Officer and the Finance Committee should compare the estimated resources and appropriations on the accounting system to the official documents.

Ohio Revised Code, Section 5705.36(A)(4), requires 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 the official certificate, and that the amount of the deficiency will reduce available resources below the current level of appropriations, the fiscal officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2009 estimated receipts of \$751,207 exceeded actual receipts of \$478,092 in the Water Supply/Water Storage Fund (#4204) by \$273,115, and the deficiency reduced available resources to \$478,092 which was below the current level of appropriations of \$500,000.

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriations can result in overspending and negative fund balances. We recommend that the Village monitor estimated and actual receipts and obtain amendments when required.

Ohio Revised Code, Section 5705.36(A)(1), requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The Village did not complete a certificate of the total amount available for expenditure for 2008. Failure to complete said certificates could result in loss of tax funding. We recommend that the Village complete annual certificates of the total amount available for expenditure.

Ohio Revised Code, Section 5705.10(H), states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had negative fund balances at December 31, 2008:

Fund	Fund Balance
Fire Grant (2026)	\$(14,203)
COPS (2121)	(57,082)
OVI (2122)	(1,934)
Fire Levy (2401)	(6,123)
Furtherance of Justice (2901)	(14,745)
S.R. 127 Extension & Water Tower (4203)	(10,326)
Well #1 Revitalization (4204)	(3,887)
Phase II Augspurgen (4502)	(27,072)
Enterprise Debt Service (5721)	(271,635)

**FINDING NUMBER 2009-005
 (Continued)**

The following funds had negative fund balances at December 31, 2009:

Fund	Fund Balance
Police Grant (2402)	\$(58,475)
Enterprise Debt Service (5721)	(100,000)

We recommend that the Village monitor fund balances and take corrective action such as advancing funds, if possible.

FINDING NUMBER 2009-006

Noncompliance Citation / Material Weakness

Ohio Administrative Code, Section 117-2-02(A), requires that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Review of the Village's accounting system noted the following exception for 2008:

- The Village's financial statements did not report classified receipts and disbursements.
- The Village did not maintain a receipts ledger or appropriation ledger. The Village presented all financial activity for the audit on Excel spreadsheets. The Village leased a computer system through the Auditor of State Uniform Accounting Network (UAN) and continued to make service payments to the State for this system during 2008; however, the Village did not begin utilizing the UAN system until 2009.
- The Village did not post budgetary data to a budgetary ledger to be used for monitoring purposes.

Failure to accurately maintain the Village's account records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend:

- The Village Fiscal Officer accurately maintain the Village's accounting records using the Ohio Admin. Code, Section 117-2-02 and the Village Officers Handbook as guidance. The Village Officers Handbook can be found at:
www.auditor.state.oh.us/LGS/Publications/LocalGovernmentManualsHandbooks/village_officers_handbook.pdf.
- The Village utilize a computerized accounting package that can provide those ledgers (appropriation and receipt ledger) necessary for the Village's use.

Officials did not provide a response to the above findings.

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**VILLAGE OF NEW MIAMI
BUTLER 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>
2007-001	Finding for recovery against James Harris.	No	Not corrected – not repaid as of September 27, 2010.
2007-002	Finding for recovery against Krista Adams.	No	Not corrected – not repaid as of September 27, 2010.
2007-003	Finding for recovery against Darrell Adams.	No	Not corrected – not repaid as of September 27, 2010.
2007-004	Finding for recovery against James Lakes.	No	Not corrected – not repaid as of September 27, 2010.
2007-005	Finding for recovery against Louis Nunn.	No	Not corrected – not repaid as of September 27, 2010.
2007-006	Finding for recovery against Patti Hanes.	No	Not corrected – not repaid as of September 27, 2010.
2007-007	Finding for recovery against Joseph Ebbing.	No	Not corrected – not repaid as of September 27, 2010.
2007-008	Finding for recovery against various employees.	No	Not corrected – not repaid as of September 27, 2010.
2007-009	Finding for recovery against Joseph Ebbing.	No	Not corrected – not repaid as of September 27, 2010.
2007-010	Finding for recovery against T. Shawn Campbell.	No	Not corrected – not repaid as of September 27, 2010.
2007-011	Finding for recovery against Dorothy Edgerton and Edward Schutzman.	No	Not corrected – not repaid as of September 27, 2010.
2007-012	Finding for recovery against Linda Hix.	No	Not corrected – not repaid as of September 27, 2010.
2007-013	Finding for recovery against various individuals.	No	Not corrected – not repaid as of September 27, 2010.
2007-014	Finding for recovery against Joseph Ebbing and Kenneth Cheek.	No	Not corrected – not repaid as of September 27, 2010.
2007-015	Finding for recovery against various individuals.	No	Not corrected – not repaid as of September 27, 2010.
2007-016	Finding for recovery against Joseph Ebbing and Kenneth Cheek.	No	Not corrected – not repaid as of September 27, 2010.

Village of New Miami
Butler County
Schedule of Prior Audit Findings
Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-017	Finding for recovery against Gary Vaughn	No	Not corrected – not repaid as of September 27, 2010.
2007-018	Finding for recovery against Gary Vaughn.	No	Not corrected – not repaid as of September 27, 2010.
2007-019	Finding for recovery against Gary Vaughn.	No	Not corrected – not repaid as of September 27, 2010.
2007-020	Finding for recovery against various individuals.	No	Not corrected – not repaid as of September 27, 2010.
2007-021	Finding for recovery against Gary Vaughn.	No	Not corrected – not repaid as of September 27, 2010.
2007-022	Finding for recovery against Jerry Cook and Joseph Ebbing.	No	Not corrected – not repaid as of September 27, 2010.
2007-023	Finding for recovery against Jamie Cook.	No	Not corrected – not repaid as of September 27, 2010.
2007-024	Ohio Revised Code Section 733.28; Ohio Administrative Code Section 117-2-02(A), failure to maintain proper books and financial statements.	No	Not corrected – reissued as Finding 2009-006.
2007-025	Ohio Revised Code Section 117.38, failure to timely file annual reports and public notice of their availability.	No	Partially corrected – reissued as a management letter comment.
2007-026	Failure to have proper monitoring procedures over gasoline credit cards.	No	Partially corrected – reissued as a management letter comment.
2007-027	Failure to properly post receipts.	No	Not corrected – reissued as Finding 2009-002.
2007-028	Ohio Revised Code Section 5705.09(F), failure to record on-behalf grant monies.	No	Not corrected – reissued as Finding 2009-003.
2007-029	Ohio Revised Code Section 149.351, failure to maintain accounting records.	Yes	

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-030	Ohio Revised Code Section 5705.41(D), failure to properly certify funds.	No	Not corrected – reissued as Finding 2009-004.
2007-031	Ohio Admin. Code Section 117-2-02(A), failure to maintain a proper accounting system	No	Not corrected – reissued as Finding 2009-005.
	Ohio Admin. Code Section 117-2-02(C)(1), failure to maintain budgetary accounting ledgers.	No	Not corrected – reissued as Finding 2009-005.
	Ohio Revised Code Section 5705.36(A)(1), failure to certify the total amount available for all expenditures.	No	Not corrected – reissued as Finding 2009-005.
	Ohio Revised Code Section 5705.36(A)(2), failure to complete certificates of estimated resources.	Yes	
	Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriations.	No	Partially corrected – reissued as a management letter comment.
Ohio Revised Code Section 5705.10(H), funds with negative fund balances.	No	Not corrected – reissued as Finding 2009-005.	

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-032	<p>26 USC Sections 3401 through 340 and Section 3102(a), failure to remit federal income tax withholdings.</p> <p>Ohio Revised Code Section 5747.06(A) and 5747.07, failure to remit state income tax withholdings.</p> <p>Ohio Revised Code Section 145.47(A), failure to remit retirement withholdings.</p> <p>Ohio Revised Code Section 742.32, failure to remit retirement withholdings.</p> <p>Failure to remit payroll withholdings to various organizations.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	
2007-033	Lack of management oversight in the posting of payroll expenditures.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW MIAMI

BUTLER 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
NOVEMBER 4, 2010**