



**VILLAGE OF NEW RICHMOND
CLERMONT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Richmond
Clermont County
102 Willow Street
New Richmond, Ohio 45157

To the Village Council:

We have audited the accompanying financial statements of the Village of New Richmond, Clermont County, Ohio (the Village), as of and for the year ended December 31, 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1998, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2000, 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 grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Village of New Richmond
Clermont County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 10, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$241,364	\$514,368	\$0	\$0	\$16,529	\$772,261
Intergovernmental Receipts	335,682	416,357	39,386	20,100	857	812,382
Charges for Services	0	0	106,561	0	0	106,561
Fines, Licenses, and Permits	74,239	0	0	0	0	74,239
Unclassified	83,854	112,431	42	0	161	196,488
Total Cash Receipts	735,139	1,043,156	145,989	20,100	17,547	1,961,931
Cash Disbursements:						
Current:						
Security of Persons and Property	0	613,222	0	0	0	613,222
Public Health Services	0	11,733	0	0	0	11,733
Community Environment	0	292,691	0	0	0	292,691
Transportation	0	112,123	0	0	0	112,123
Debt Service:						
Principal Payments	12,290	0	170,863	0	0	183,153
Interest Payments	3,328	0	85,714	0	0	89,042
Capital Outlay	72,943	0	0	413,575	0	486,518
Unclassified	437,217	7,347	30	0	25,457	470,051
Total Disbursements	525,778	1,037,116	256,607	413,575	25,457	2,258,533
Total Receipts Over/(Under) Disbursements	209,361	6,040	(110,618)	(393,475)	(7,910)	(296,602)
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes	72,943	0	0	315,000	0	387,943
Transfers-In	0	60,778	0	90,000	0	150,778
Advances-In	7,000	0	0	0	0	7,000
Transfers-Out	(60,778)	(90,000)	0	0	0	(150,778)
Advances-Out	0	(7,000)	0	0	0	(7,000)
Total Other Financing Receipts/(Disbursements)	19,165	(36,222)	0	405,000	0	387,943
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	228,526	(30,182)	(110,618)	11,525	(7,910)	91,341
Fund Cash Balances, January 1	447,463	295,281	394,999	137,859	(3,215)	1,272,387
Fund Cash Balances, December 31	\$675,989	\$265,099	\$284,381	\$149,384	(\$11,125)	\$1,363,728

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

**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, 1998**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$434,083	\$0	\$0	\$434,083
Unclassified	5,386	0		5,386
Total Operating Cash Receipts	439,469	0	0	439,469
Operating Cash Disbursements:				
Unclassified	464,326			464,326
Total Operating Cash Disbursements	464,326	0	0	464,326
Operating Income/(Loss)	(24,857)	0	0	(24,857)
Non-Operating Cash Receipts:				
Intergovernmental Receipts	27,812	0	0	27,812
Other Non-Operating Receipts	0	0	78,247	78,247
Total Non-Operating Cash Receipts	27,812	0	78,247	106,059
Non-Operating Cash Disbursements:				
Debt Service	11,814	0	0	11,814
Other Non-Operating Cash Disbursements	0	0	77,100	77,100
Total Non-Operating Cash Disbursements	11,814	0	77,100	88,914
Net Receipts Over/(Under) Disbursements	(8,859)	0	1,147	(7,712)
Fund Cash Balances, January 1	(42,265)	47,421	7,738	12,894
Fund Cash Balances, December 31	(\$51,124)	\$47,421	\$8,885	\$5,182

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. However, as noted in Note 13, the Village did not use the prescribed accounts to classify certain receipts and disbursements.

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

C. Cash Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

Police Levy Fund - This fund receives taxes levied to provide police protection services to the Village residents.

Fire Levy Fund - This fund receives taxes levied to provide fire protection services to the village residents and to cover day to day operations.

EMS Levy Fund - This fund receives taxes levied to provide emergency medical services to the Village residents.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

FEMA Mitigation Fund - This fund receives federal grant funds used to mitigate properties damaged by the January 1996 and March 1997 floods.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Sewer Debt Fund - This fund is used to pay principal and interest payments on sewer note indebtedness.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Sewer Construction Fund - This fund received proceeds from notes and was used to construct and to improve sewer treatment services.

5. Enterprise Funds

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

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

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

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

6. Fiduciary Fund (Agency Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Mayor's Court Fund - This fund receives fines collected by Mayor's Court and distributed to the Village and to the State.

Police Pension Fund - This fund was established to provide funds to satisfy the Village's obligation when the Police and Firemen's Disability and Pension Fund was formed. The County Auditor designated a portion of the property tax inside millage allocated to the Village to provide funding for this obligation.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. POOLED CASH DEPOSITS

The Village maintains a cash pool used by all funds except FEMA Mitigation, certain Agency funds, and Mayor's Court. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash deposits at December 31 was as follows:

	<u>1998</u>
Demand deposits	\$ 735,978
Certificates of deposit	<u>632,932</u>
Total deposits	<u><u>\$ 1,368,910</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1998 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 686,372	\$ 808,082	\$ 121,710
Special Revenue	784,407	1,103,934	319,527
Debt Service	97,618	145,989	48,371
Capital Projects	488,005	425,100	(62,905)
Enterprise	435,450	467,281	31,831
Expendable Trust	25,457	17,547	(7,910)
Total	\$ 2,517,309	\$ 2,967,933	\$ 450,624

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 980,923	\$ 586,556	\$ 394,367
Special Revenue	975,501	1,127,116	(151,615)
Debt Service	501,742	256,607	245,135
Capital Projects	79,098	413,575	(334,477)
Enterprise	519,767	476,140	43,627
Expendable Trust	23,059	25,457	(2,398)
Total	\$ 3,080,090	\$ 2,885,451	\$ 194,639

Expenditures exceeded appropriations in the Special Revenue Funds due to failure to budget the FEMA Mitigation fund, in the Capital Project Funds due to failure to appropriate for the purchase of a fire truck, and in the Expendable Trust Funds due to overspending of appropriations.

As of December 31, 1998, various funds had negative fund balances: State Highway Fund (\$7,050), Fire Capital Improvement Fund (\$3,475), Sewer Operating Fund (\$38,992), Garbage Fund (\$37,380), and Police Pension (\$11,710).

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 2,492,776	2.20%
Ohio Water Development Authority Loan	24,067	6.25%
Bank Note - Police Cruiser	61,895	5.00%
Bank Note - Fire Truck	315,000	5.00%
Lease Purchase - Backhoe	38,988	5.75%
Lease Purchase - Police Radios	8,480	7.34%
Total	<u>\$ 2,941,206</u>	

The Ohio Water Development Authority (OWDA) loans relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency.

The Police Cruiser bank note was for the purchase of three new police cruisers.

The Fire Truck bank note was for the purchase of an aerial fire truck. This note is secured by the fire truck.

The backhoe and police radio leases are for five year terms.

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

Year ending December 31:	OWDA Loan	OWDA Loan	Police Cruiser Note	Fire Truck Note	Radio Lease	Backhoe Lease
1999	\$ 86,196	\$ 3,938	\$ 16,517	\$ 40,801	\$ 2,329	\$ 9,193
2000	172,393	7,876	16,516	40,801	2,329	9,192
2001	172,392	7,876	16,517	40,801	2,329	9,193
2002	172,393	7,877	16,516	40,801	2,329	9,192
2003	172,392	0	2,610	40,801	581	9,193
Subsequent	2,241,103	0	0	203,915	0	0
Total	<u>\$3,016,869</u>	<u>\$ 27,567</u>	<u>\$ 68,676</u>	<u>\$ 407,920</u>	<u>\$ 9,897</u>	<u>\$ 45,963</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations as early as fiscal year 1999.

As of December 31, 1998, the Village had not completed an inventory of mission-critical computer and other equipment necessary to conducting Village operations. In 1999 the Village had identified such systems as being their utility billing system. The Village's vendor, Software Solutions, Inc., has informed the Village that the utility billing software has been tested and validated.

As of December 31, 1998, the Village utilized PayCor, an outside payroll processing vendor, to provide payroll processing services for the Village. It was not determined if PayCor's payroll processing system had been tested and validated. In 1999, the Village switched to Automatic Data Processing (ADP) to provide payroll processing services for the Village. ADP is responsible for remediating this system.

As of January 1, 2000, the Village leases the Auditor of State's Uniform Accounting Network (UAN) system for these financial operations. The Auditor of State is responsible for remediation this system and is solely responsible for any costs associated with this project. The Auditor of State completed validation and testing in 1999, and the Village has now installed this version.

The State of Ohio distributes money to the Village in the form of homestead and rollback taxes, auto license, gasoline taxes, and various grants, while Clermont County collects property taxes, other taxes, and Local Government payments for distribution to the Village. The State and County, respectively, are responsible for remediating these systems. The Village utilizes the Clermont County 911 system for emergency dispatching. The County is responsible for remediating this system.

To the best of management's knowledge and belief, as of January 10, 2000, the Village experienced no significant interruption of mission-critical operations of services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the Village does business may also experience Year 2000 readiness issues that are as yet, unknown.

9. COMPLIANCE

Certain receipts and disbursements presented in this report are unclassified. This presentation is a material departure from the presentation prescribed by the Auditor of State in Ohio Administrative Code, Sections 117-5-01 through 117-5-18. Those sections of the Ohio Administrative Code require classifying receipts by source and disbursements by program.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

10. COMMUNITY IMPROVEMENT CORPORATION OF NEW RICHMOND (CIC)

The Community Improvement Corporation of New Richmond (CIC) is a not-for-profit corporation established under ORC 1724 for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of a community or area. The Articles of Incorporation established for the CIC require 11 trustees. Per ORC 1724.10, the Village of New Richmond has designated the CIC as the agent of New Richmond Village for the "industrial, commercial, distribution and research development in such political subdivision." Per 1724.10 (A), two-fifths of the Governing Board of the CIC shall be composed of mayors, members of municipal legislative authorities, or any other appointed or elected officers of such political subdivisions, provided that at least one officer from each political subdivision shall be a member of the Governing Board. As of December 31, 1998, Sue Gundler, a member of New Richmond Village Council, and Rick Hilt, a member of the New Richmond Planning Commission, were serving on the Governing Board of CIC. In March of 1998, Village Council approved a loan to the CIC in the amount of \$22,500, to be repaid by December 1999, or sooner if funds become available.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1998**

FEDERAL GRANTOR/ Pass -Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF JUSTICE			
<i>Direct from the Federal Government</i>			
Public Safety Partnership and Community Policing Grants	95-CF-WX-3638	16.710	<u>\$13,200</u>
U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through the Ohio Emergency Management Agency:</i>			
Hazard Mitigation Grant	DR-1097-OH	83.548	287,691
Hazard Mitigation Grant	DR-1164-OH	83.548	<u>5,000</u>
			292,691
U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through the Ohio Emergency Management Agency:</i>			
Public Assistance Grants	DR-1164-OH	83.544	<u>18,016</u>
Total U.S. Federal Emergency Management Agency			<u>310,707</u>
Total Federal Financial Assistance			<u><u>\$323,907</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1998**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of New Richmond
Clermont County
102 Willow Street
New Richmond, Ohio 45157

To the Village Council:

We have audited the accompanying financial statements of the Village of New Richmond, Clermont County, Ohio (the Village), as of and for the year ended December 31, 1998, and have issued our report thereon dated January 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as Items 1998-30413-001 through 1998-30413-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 10, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be 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 the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings as items 1998-30413-006 through 1998-30413-010.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We believe the reportable condition described in the accompanying schedule of findings as item 1998-30413-006 is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 10, 2000.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 10, 2000



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of New Richmond
Clermont County
102 Willow Street
New Richmond, Ohio 45157

To the Village Council:

Compliance

We have audited the compliance of the Village of New Richmond, Clermont County, Ohio (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1998. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Village of New Richmond
Clermont County
Report of Independent Accountants on Compliance With Requirements
Applicable to Each Major Federal Program and Internal Control Over
Compliance In Accordance With OMB Circular A-133
Page 2

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. These reportable conditions are described in the accompanying schedule of findings and questioned cost as items 1998-30413-011 through 1998-30413-013.

A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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 to be material weaknesses. However, we believe the reportable condition described in the accompanying schedule of findings as item 1998-30413-011 above is a material weakness.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 10, 2000

SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)---- ---	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	FEMA-CFDA #83.544 Public Assistance FEMA-CFDA #83.548 Hazard Mitigation
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998
(Continued)

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

FINDING NUMBER 1998-30413-001

Noncompliance Citation

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. The State Highway Fund \$(7,050); Fire Capital Improvement Fund \$(3,475); Sewer Operating Fund \$(38,992); Garbage Operating Fund \$(37,380); and Police Pension Fund \$(11,710); had negative fund balances at December 31, 1998. The deficit balances indicate that cash from other funds have been used to pay the obligations of these funds.

FINDING NUMBER 1998-30413-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds:

FUND	APPROPRIATIONS	EXCESS OF EXPENDITURES OVER APPROPRIATIONS
Street Construction, Maintenance and Repair	\$108,331	\$2,431
FEMA Mitigation	0	292,691
Fire Capital Improvement	0	393,475
Issue II	0	20,100
Police Pension Fund	22,634	2,822

FINDING NUMBER 1998-30413-003

Noncompliance Citation

Ohio Administrative Code, Sections 117-5-01 through 117-5-18, require the classification of receipts by source and disbursements by program. The reconstructed Village records presented for audit did not classify transactions as required. The classifications reflected in the accompanying financial statements were a result of audit classifications. Failure to keep the required records and balance them monthly resulted in deficit cash fund balances. The Village is required to keep the prescribed records and should follow required procedures in order to control spending and to eliminate deficit cash fund balances.

SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998
(Continued)

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

FINDING NUMBER 1998-30401-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then-and-Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then-and-Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village's appropriation ledgers did not indicate any posted encumbrances or appropriation balances so it was impossible for the Clerk/Treasurer to accurately certify expenditures. Failure to encumber allowed the Village to overspend fund balances as noted in finding number 1998-30413-001.

FINDING NUMBER 1998-30413-005

Noncompliance Citation

Section 4.3, Article IV, Water Pollution Control Loan Fund, dated December 15, 1994, by and among the Director of Environmental Protection, the Ohio Water Development Authority, and the Village of New Richmond, requires the Village to prescribe and charge such rates that will provide for the operation and maintenance expenses of the sewer system and provide for the required debt service payments.

Failure to establish adequate rates and control expenditures resulted in a net operating income of the sewer system for the year ending December 31, 1998 of only \$100,162. Debt service payments of \$43,325 were paid by an emergency grant from OWDA; these funds were used to provide part of the debt service payments of \$178,287 which were due in 1998. Even with these outside sources, income did not meet requirements by \$34,800. This shortfall was covered by spending the surplus from previous sewer debt issues. To avoid defaulting on subsequent debt payments, the Village should increase rates, control spending, or restructure the debt.

SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998
(Continued)

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

FINDING NUMBER 1998-30413- 006

Material Weakness

The Village did not reconcile bank balances either with total cash fund balance or with individual fund cash balances on a monthly basis. Many receipts were booked as reductions of expenditures and deposits were not posted to the books on a timely basis. Failure to properly post receipts or reconcile on a timely basis, resulted in accounting errors going undetected during 1998. To adequately monitor the Village's fund cash position on a timely basis, the Village should reconcile cash fund balances and bank balances on a monthly basis.

FINDING NUMBER 1998-30413-007

Reportable Condition

Department supervisors' payrolls were not approved by a designated supervisor or elected official. 21.6% of tested hourly employees' time sheets were not approved by a department supervisor. There was no documentation of Village supervisory review of payroll reports prepared by the Village's payroll processor (PayCor).

There was no annual salary ordinance passed for 1998. Employee pay increases were approved as percentage or per hour increases without specifying the new pay rate.

These conditions could allow for errors to go undetected.

We recommend that pay rates be specifically approved in the minutes, that designated supervisors approve all payrolls and time sheets, and that the Village document supervisory review of payroll reports prepared by PayCor.

FINDING NUMBER 1998-30413-008

Reportable Condition

Documentation was not attached to the file copy of the check in 17% of the tested disbursements. This indicated that the Clerk and/or Treasurer did not have supporting documentation when the bill was paid. While the documentation was not readily available, upon request, the Village was able to locate adequate documentation. If the Village were not able to locate supporting documentation, this could result in future Findings for Recovery. To avoid future problems, original documentation for each expenditure should be attached to the file copy of each check.

FINDING NUMBER 1998-30413-009

Reportable Condition

Village checks were prepared in the Administrator's office on a personal computer. These checks were then delivered to the Clerk and Treasurer for signing and posting to the Village accounting system. The Administrator's personal computer was programed to print a maximum of eight separate account charges on the check stub. Occasionally, checks would be charged to more than eight accounts. In these instances, the Clerk would fail to post the entire charge to the accounting system. This practice resulted in accounting errors which were not identified and corrected until the records were reconstructed during 1999.

SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998
(Continued)

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

FINDING NUMBER 1998-30413-009 (Continued)

Reportable Condition

During 1998, 30 % of the checks written in the Administrator's office were posted as "Miscellaneous Vendor" to the Village accounting system. Failure to identify the vendor in the accounting system makes the preparation of 1099 forms very difficult and greatly reduces the usefulness of detail expenditure ledgers.

We recommend that checks be written on the accounting system and that vendor numbers be assigned to new vendors.

FINDING NUMBER 1998-30413-010

Reportable Condition

The following financial activity or bank accounts were not recorded on the Village records: 1) Debt service payments paid by the OWDA Emergency Relief Fund on behalf of the Village and corresponding intergovernmental receipts, 2) The financial activity of the 1996 and 1997 FEMA Mitigation programs, which were processed through separate bank accounts, 3) The proceeds of a bank loan and the corresponding expenditure to purchase three police cars, 4) Issue II grant receipts and disbursements, and 5) the Market Street School donation bank account. Failure to include these activities resulted in understated Village records.

In order to prepare complete and accurate financial statements, the Village should include all financial activity in the Village accounting system.

3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

FINDING NUMBER 1998-30413-011

CFDA Title and Number	Public Assistance Grants	83.544
Federal Award Number / Year	DR-1164-OH / 1997	
Federal Agency	Federal Emergency Management Agency (FEMA)	
Pass-Through Agency	Ohio Emergency Management Agency (OEMA)	

Material Weakness

The Village signed a grant agreement which stated that they understood the State-Local Disaster Assistance and Audit Requirements/Compliance Standards Agreement, and agreed to comply, as an applicant of these funds, with all requirements described therein during the administration of the grant program. Item 6 of these requirements required that the Subgrantee shall establish and maintain a proper accounting system to record expenditures of disaster assistance. Item 19 stated that the Subgrantee shall comply with any and all other federal or state requirements which apply in the implementation of these grant programs. Under a Memorandum to all local governments applying to the Public Assistance Grant Program, dated April 14, 1997, from the Ohio Emergency Management Agency (OEMA), Items A-1 and B-1 required that the entity must place all funds into a special FEMA fund; Item B-2 required that for work completed and paid for, before the FEMA money was received, the entity must reimburse the fund(s) used to pay for the goods and/or services from the FEMA fund; Item A-2 required that when work was not completed at the time a check was received, the entity should pay bills directly from the FEMA fund for the 75% federal share of each Damage Survey Report.

SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998
(Continued)

3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

FINDING NUMBER 1998-30413-011 (Continued)

Also, correspondence accompanying the State Warrant Checks from OEMA to the Village Authorized Agent directed the Village to place these funds into the separate fund established for this Grant. However, the Village did not establish the required FEMA fund; instead, the Village recorded these receipts as a reduction of General Fund expenditures, and did not reimburse the funds which paid the FEMA expenditures.

This made it impossible to determine from Village cash records amounts to be included in the Schedule of Federal Awards Expenditures.

Alternative procedures, such as source agency confirmations, were used to prepare the Schedule. Financial statements were adjusted to show receipts and disbursements in the funds which were reimbursed through Damage Survey Reports (DSR) as approved by the (OEMA).

We recommend the Village establish separate funds to account for grant receipts and disbursements. The Village should record all grant activity within these funds. These procedures would allow Village officials to monitor federal activity, enable them to determine when a Single Audit is required, and facilitate in the preparation of the Schedule of Federal Awards Expenditures.

FINDING NUMBER 1998-30413-012

CFDA Title and Number	Public Assistance Grants	83.544
Federal Award Number / Year	DR-1164-OH /1997	
Federal Agency	Federal Emergency Management Agency (FEMA)	
Pass-Through Agency	Ohio Emergency Management Agency (OEMA)	

Reportable Condition

The Village signed a grant agreement which stated that they understood the State-Local Disaster Assistance and Audit Requirements/Compliance Standards Agreement, and agreed to comply, as an applicant of these funds, with all requirements described therein during the administration of the grant program. Item 6 of these requirements required that the Subgrantee shall establish and maintain a proper accounting system to record expenditures of disaster assistance. Item 19 stated that the Subgrantee shall comply with any and all other federal or state requirements which apply in the implementation of these grant programs. As required by Item 1 of the agreement, an Authorized Agent was appointed to conduct business with OEMA to assure all expenditures are allowable under the approved DSR's and that quarterly progress reports are filed timely and accurately. In approximately 28% of tested transactions, the Authorized Agent did not document his approval of invoices. The DSR files maintained by the Village's Authorized Agent often contained extraneous material (invoices or canceled checks which supported other expenditures originally applied for or claimed, but which were not subsequently approved by on-site damage surveys conducted by OEMA). The records made it difficult or impossible to determine which checks/invoices were actually reimbursed under an individual DSR; and, therefore, which compliance requirements were applicable to that transaction (e.g., procurement).

We recommend, for future FEMA projects, that the Village's Authorized Agent document his approval of allowability under grant agreements for all expenditures. Also, in records or files supporting expenditures, he should document which Village expenditures are being paid or reimbursed by individual DSR's.

SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998
(Continued)

3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

FINDING NUMBER 1998-30413-013

CFDA Title and Number	Hazard Mitigation Grants	83.548
Federal Award Number / Year	DR-1097-OH / 1996	
	DR-1164-OH / 1997	
Federal Agency	Federal Emergency Management Agency (FEMA)	
Pass-Through Agency	Ohio Emergency Management Agency (OEMA)	

Reportable Condition

The Village signed a grant agreement which stated that they understood the State-Local Disaster Assistance and Audit Requirements/Compliance Standards Agreement, and agreed to comply, as an applicant of these funds, with all requirements described therein during the administration of the grant program. Item 6 of these requirements required that the Subgrantee shall establish and maintain a proper accounting system to record expenditures of disaster assistance. Item 19 stated that the Subgrantee shall comply with any and all other federal or state requirements which apply in the implementation of these grant programs. The Village did not establish a separate Special Revenue Fund to account for grant monies received from the Ohio Emergency Management Agency (OEMA) as part of the Hazard Mitigation Grant Program approved by OEMA following the January 1996 and March 1997 flood events. The Village recorded these grant receipts and disbursements through a separate bank account which was not included in the Village cash journal or financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1998
(Continued)

3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

FINDING NUMBER 1998-30413-013 (Continued)

Reportable Condition

As required by Item 1 of the grant agreement, an Authorized Agent was appointed to conduct business with OEMA to assure all expenditures are allowable under the approved hazard mitigation agreements. The Village's Authorized Agent approved all activity and signed all disbursement checks under the program. However, since the activity was not recorded in the Village cash journal, there was no documentation that Village Council approved the transactions. Also, the elected officials of the Village, namely the Clerk and Treasurer, are authorized by the Ohio Revised Code to sign checks, maintain Village records, and are required to prepare financial statements which include all Village financial activity. When the Village's Authorized Agent learned that the activity should be approved by Council, he consulted the AOS and was advised to prepare a list of all expenditures he had approved and/or for which he signed checks and to present to Council for their retroactive approval. He did this; however, the list approved by Council did not include all program disbursements to date for the January 1996 hazard mitigation program.

We recommend the Authorized Agent prepare a complete list of disbursements to date and present to Council for their approval. For future program receipts and disbursements, we recommend the Village follow the guidelines outlined in AOS Bulletin 99-005 for FEMA Hazard Mitigation Grants.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF NEW RICHMOND

CLERMONT 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
FEBRUARY 22, 2000**