



**Auditor of State  
Betty Montgomery**



VILLAGE OF NEW MIAMI  
BUTLER COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
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, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2001 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2000.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2000 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings .....	33

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**Auditor of State  
Betty Montgomery**

**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, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates 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 and reserve for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

June 18, 2003

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**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, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$184,353	\$30,200	\$0	\$0	\$214,553
Intergovernmental Receipts	175,243	37,917	8,831		221,991
Charges for Services	1,200				1,200
Fines, Licenses, and Permits	46,710	4,122			50,832
Earnings on Investments	9,876			100	9,976
Miscellaneous	33,069				33,069
<b>Total Cash Receipts</b>	<b>450,451</b>	<b>72,239</b>	<b>8,831</b>	<b>100</b>	<b>531,621</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	168,233	16,696			184,929
Public Health Services	3,331				3,331
Leisure Time Activities	8,484				8,484
Community Environment	18			732	750
Transportation	90,758	32,047			122,805
General Government	159,198	1,869			161,067
Debt Service:					
Principal Payments		2,936			2,936
Capital Outlay		22,882	8,831		31,713
<b>Total Cash Disbursements</b>	<b>430,022</b>	<b>76,430</b>	<b>8,831</b>	<b>732</b>	<b>516,015</b>
Total Receipts Over/(Under) Disbursements	20,429	(4,191)	0	(632)	15,606
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes		10,500			10,500
Transfers-Out	(3,774)	0	0	0	(3,774)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(3,774)</b>	<b>10,500</b>	<b>0</b>	<b>0</b>	<b>6,726</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,655	6,309	0	(632)	22,332
Fund Cash Balances, January 1	23,982	(9,179)	0	6,015	20,818
<b>Fund Cash Balances, December 31</b>	<b>\$40,637</b>	<b>(\$2,870)</b>	<b>\$0</b>	<b>\$5,383</b>	<b>\$43,150</b>
Reserves for Encumbrances, December 31	\$26,309	\$1,133	\$0	\$0	\$27,442

*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  
FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$562,432	\$0	\$562,432
Miscellaneous	13,694		13,694
Total Operating Cash Receipts	<u>576,126</u>	<u>0</u>	<u>576,126</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	162,350		162,350
Fringe Benefits	66,623		66,623
Contractual Services	148,678		148,678
Supplies and Materials	85,994		85,994
Total Operating Cash Disbursements	<u>463,645</u>	<u>0</u>	<u>463,645</u>
Operating Income	<u>112,481</u>	<u>0</u>	<u>112,481</u>
<b>Non-Operating Cash Receipts:</b>			
Proceeds from Notes and Bonds	10,500		10,500
Other Non-Operating Receipts	0	53,291	53,291
Total Non-Operating Cash Receipts	<u>10,500</u>	<u>53,291</u>	<u>63,791</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	105,493		105,493
Other Non-Operating Cash Disbursements	5,261	58,499	63,760
Total Non-Operating Cash Disbursements	<u>110,754</u>	<u>58,499</u>	<u>169,253</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	12,227	(5,208)	7,019
Transfers-In	91,874		91,874
Transfers-Out	(88,100)		(88,100)
Net Receipts Over/(Under) Disbursements	16,001	(5,208)	10,793
Fund Cash Balances, January 1	<u>268,465</u>	<u>9,311</u>	<u>277,776</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$284,466</u></b>	<b><u>\$4,103</u></b>	<b><u>\$288,569</u></b>
Reserve for Encumbrances, December 31	<u>\$46,459</u>	<u>\$0</u>	<u>\$46,459</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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$184,260	\$30,084	\$0	\$0	\$214,344
Intergovernmental Receipts	184,406	97,843	37,481		319,730
Charges for Services	1,800				1,800
Fines, Licenses, and Permits	64,814	8,834			73,648
Earnings on Investments	8,238			91	8,329
Miscellaneous	14,278				14,278
<b>Total Cash Receipts</b>	<b>457,796</b>	<b>136,761</b>	<b>37,481</b>	<b>91</b>	<b>632,129</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	232,808	78,786			311,594
Public Health Services	2,923				2,923
Leisure Time Activities	18,717				18,717
Community Environment	5,627			1,243	6,870
Transportation	121,502	56,840			178,342
General Government	142,338	3,870			146,208
Capital Outlay		21,923	37,481		59,404
<b>Total Cash Disbursements</b>	<b>523,915</b>	<b>161,419</b>	<b>37,481</b>	<b>1,243</b>	<b>724,058</b>
Total Receipts (Under) Disbursements	(66,119)	(24,658)	0	(1,152)	(91,929)
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		162			162
Advances-In		590			590
Transfers-Out	(2,528)				(2,528)
Advances-Out	(590)				(590)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(3,118)</b>	<b>752</b>	<b>0</b>	<b>0</b>	<b>(2,366)</b>
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(69,237)	(23,906)	0	(1,152)	(94,295)
Fund Cash Balances, January 1	93,219	14,727	0	7,167	115,113
<b>Fund Cash Balances, December 31</b>	<b>\$23,982</b>	<b>(\$9,179)</b>	<b>\$0</b>	<b>\$6,015</b>	<b>\$20,818</b>
Reserves for Encumbrances, December 31	\$29,209	\$3,398	\$0	\$707	\$33,314

*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  
FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$587,990	\$0	\$587,990
Miscellaneous	7,165		7,165
Total Operating Cash Receipts	<u>595,155</u>	<u>0</u>	<u>595,155</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	154,182		154,182
Fringe Benefits	65,947		65,947
Contractual Services	130,941		130,941
Supplies and Materials	96,855		96,855
Capital Outlay	278,639		278,639
Total Operating Cash Disbursements	<u>726,564</u>	<u>0</u>	<u>726,564</u>
Operating (Loss)	<u>(131,409)</u>	<u>0</u>	<u>(131,409)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	258,398	87,944	346,342
Total Non-Operating Cash Receipts	<u>258,398</u>	<u>87,944</u>	<u>346,342</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	95,740		95,740
Other Non-Operating Cash Disbursements	5,000	85,247	90,247
Total Non-Operating Cash Disbursements	<u>100,740</u>	<u>85,247</u>	<u>185,987</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	26,249	2,697	28,946
Transfers-In	142,236		142,236
Transfers-Out	<u>(139,870)</u>		<u>(139,870)</u>
Net Receipts Over Disbursements	28,615	2,697	31,312
Fund Cash Balances, January 1	<u>239,850</u>	<u>6,614</u>	<u>246,464</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$268,465</u></b>	<b><u>\$9,311</u></b>	<b><u>\$277,776</u></b>
Reserve for Encumbrances, December 31	<u>\$39,201</u>	<u>\$0</u>	<u>\$39,201</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, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of New Miami, Butler 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 seven-member Council. The Village provides water, sewer and trash utilities, recreation, street maintenance and police services

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

**B. Basis of Accounting**

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

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

**C. Cash and Deposits**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Permissive Motor Vehicle License Tax

This fund receives license tax money which is used to maintain Village streets.

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds (Continued)**

COPS Federal Grant Fund

This fund receives federal grant money to assist in paying law enforcement salaries and fringe benefits.

Fire Levy Fund

This fund receives tax revenue to operate the Village Fire Department.

Police Levy Fund

This fund receives tax revenue to operate the Village Police Department.

**3. Capital Project Funds**

These funds are 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 Projects Funds:

Capital Improvement Fund

This fund received revenues from Butler County to install lights at the park.

Community Development Block Grant Fund

This fund received Community Development Block Grant money from Butler County which was used for an engineering study regarding the installation of sewer improvements.

These Capital Project funds were not included on the Village's accounting records but are included in the Capital Projects fund type in the audit report financial statements.

**4. 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 Fund

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

Sewer Fund

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

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Trash Fund

This fund receives charges for services from residents to cover the cost of providing trash service.

**5. Fiduciary Funds (Trust and Agency Funds)**

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 (Agency)

This fund is used to account for the collection and distribution of fines and forfeitures.

Relief to the Poor Fund (Expendable Trust)

This fund was established to provide help to families in need of assistance. Interest income was the source of revenue for this fund.

**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. 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND DEPOSITS**

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

	2001	2000
Demand deposits	\$229,144	\$202,074
Certificates of deposit	102,575	96,520
Total deposits	\$331,719	\$298,594

**Deposits:** Deposits are either 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, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$498,064	\$450,451	(\$47,613)
Special Revenue	47,588	82,739	35,151
Capital Projects	0	8,831	8,831
Enterprise	665,900	678,500	12,600
Expendable Trust	120	100	(20)
Total	\$1,211,672	\$1,220,621	\$8,949

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$483,840	\$460,105	\$23,735
Special Revenue	48,893	77,563	(28,670)
Capital Projects	0	8,831	(8,831)
Enterprise	846,726	708,958	137,768
Expendable Trust	6,152	732	5,420
Total	\$1,385,611	\$1,256,189	\$129,422

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$586,671	\$457,796	(\$128,875)
Special Revenue	148,447	136,923	(11,524)
Capital Projects	0	37,481	37,481
Enterprise	918,662	995,789	77,127
Expendable Trust	100	91	(9)
Total	\$1,653,880	\$1,628,080	(\$25,800)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$650,088	\$555,652	\$94,436
Special Revenue	149,430	164,817	(15,387)
Capital Projects	0	37,481	(37,481)
Enterprise	976,562	1,006,374	(29,812)
Expendable Trust	7,100	1,950	5,150
Total	\$1,783,180	\$1,766,274	\$16,906

**Note:** The budgetary statements above reflect adjustments made for reporting purposes and agree with the adjusted financial statements. The compliance exceptions noted below are based on actual operations and Village records for the period.

Contrary to Ohio law, in 2001 the general fund estimated receipts exceeded actual by \$77,743 and expenditures plus outstanding encumbrances exceeded estimated receipts plus unencumbered fund balance by \$12,380. The Village did not request a reduced amended certificate and reduce upon determination that revenue to be collected would be less than the amount in the official certificate of estimated resources.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Trash fund (\$3,907) and OWDA Debt fund (\$47,609) for 2001 and in the Permissive Motor Vehicle Fund (\$17,686), Sanitary Sewer Fund (\$8,191) and OWDA Debt fund (\$95,740) for 2000.

**4. PROPERTY TAX**

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

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. PROPERTY TAX (Continued)**

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 handle the income tax process.

**6. DEBT/LEASES**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
OWDA 1988 Pure Water Loan (1783)	\$779,412	7.59%
OWDA 1988 Pure Water Catch-up Loan (1784)	11,855	7.59%
OWDA 1999 Wastewater System Feasibility Loan (2817)	14,100	0.00%
OWDA 1999 Wastewater System Engineering Loan (2164)	395,536	5.56%
First National Bank of SW Ohio Backhoe Loan	16,177	7.42%
Ford Motor Company F-350 Truck Lease	12,644	8.00%
Ford Motor Company Mobile Data Terminals Lease	5,645	8.00%
Banc One 1993 International Pumper Fire Truck Lease	16,879	6.40%
Total	\$1,252,248	

The Ohio Water Development Authority (OWDA) 1988 loans relates 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.

The OWDA 1999 Wastewater System Feasibility loan relates to a study performed by an engineering firm for a new wastewater treatment plant. The total amount of the loan issued was \$23,500. The loan is being repaid in annual installments of \$2,350. The last payment is due December 31, 2007. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA 1999 Wastewater System Engineering loan of \$395,536 [including \$35,536 of accrued interest] relates to engineering services for the anticipated installation of a new wastewater treatment plant mandated by the Ohio Environmental Protection Agency. Repayment of this loan is due when the project enters the construction phase, but in no case later than July 1, 2004. Interest accrues for the life of the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The First National Bank of South West Ohio debt relates to a \$21,000 loan entered into April of 2001. Loan proceeds were used to purchase a used Case Model 580 K backhoe. The loan is being repaid in monthly installments of \$652 with the last payment due March 1, 2004. A certificate of deposit is pledged as collateral.

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT/LEASES (Continued)**

The Ford Motor Company F-350 Truck lease/purchase agreement relates to a lease entered into February of 2000. The original amount of the lease was \$22,707 and the purchase price of the Fire Department F-350 Truck was \$35,428. The lease/purchase agreement is being repaid in monthly installments of \$551 with the last payment due January 17, 2004. Ownership of the truck transfers to the Village at the conclusion of the lease. The truck serves as collateral.

The Ford Motor Company Mobile Data Terminals lease/purchase agreement relates to a lease entered into February of 2000. The original amount of the lease was \$20,847 with the proceeds used to purchase mobile data terminals for three police vehicles. The lease/purchase agreement is being repaid in monthly installments of \$645 with the last payment due September 8, 2002. Ownership of the data terminals transfers to the Village at the conclusion of the lease. The data terminals serve as collateral.

The Banc One 1993 International Pumper Fire Truck lease/purchase agreement relates to a lease entered into July of 1992. The original amount of the lease was \$122,300. The lease/purchase agreement is being repaid in semi-annual installments of \$8,506.50 with the last payment due October 1, 2002. Ownership of the fire truck transfers to the Village at the conclusion of the lease. The fire truck serves as collateral.

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

	OWDA 1988 Pure Water Loan	OWDA 1988 Catch-Up Loan	OWDA 1999 Feasibility Loan	OWDA 1999 Wastewater Engineering Loan
Year ending December 31:				
2002	\$94,306	\$1,434	\$2,350	
2003	94,306	1,434	2,350	
2004	94,306	1,434	2,350	445,468
2005	94,306	1,434	2,350	
2006	94,306	1,434	2,350	
2007-2011	471,530	7,169	2,350	
2012-2015	330,071	5,018		
Total	\$1,273,131	\$19,357	\$14,100	\$445,468
	Backhoe Loan	Ford F-350 Lease	Ford Data Terminal Lease	International Fire Truck Lease
Year ending December 31:				
2002	\$7,830	\$6,609	\$5,806	\$17,013
2003	7,830	6,609		
2004	1,954	552		
2005				
2006				
2007-2011				
2012-2015				
Total	\$17,614	\$13,770	\$5,806	\$17,013

The Village recorded lease payments as capital outlay in the Fire and the Police funds.

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2001 and 2000, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials and law enforcement liability;
- Vehicles; and
- Errors and omissions

**9. CONTINGENT LIABILITIES:**

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

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

**10. COMPLIANCE**

The Village has not established all required funds as required by Ohio Rev. Code, 5705.09(F).

The Village did not establish a law enforcement trust fund or provide the Attorney General's Office a copy of a report of activities for this fund as required by Ohio Rev. Code, Section 2933.43(D)(1)(c)(ii).

The Village did not establish a court computerization fund as required by Ohio Rev. Code, Section 1907.26.1(B) and Auditor of State Bulletin 97-019.

The Village Clerk did not maintain the books of the Village and exhibit accurate statements of monies received and expended as required by Ohio Rev. Code, Section 733.28.

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**10. COMPLIANCE (Continued)**

The Village did not credit enterprise funds interest to the general fund as required by Ohio Rev. Code, Section 135.351.

The Village Clerk was not bonded in an amount set by the council of the municipal corporation as required by Ohio Rev. Code, Sections 705.27 and 733.69.

The members of a public utility board were not bonded in an amount set by the council of the municipal corporation as required by Ohio Rev. Code, Section 735.03.

The Village did not authorize and certify to the County Auditor an ordinance authorizing the necessary tax levies as required by Ohio Rev. Code, 5705.34.

**11. SUBSEQUENT EVENTS**

The Village plans to be install wastewater system improvements in 2003. The Village hired an engineering firm on July 6, 2000. The estimated cost of the project is \$7,700,000 with proposed financing from the United States Department of Agriculture in the form of a grant of \$2,680,000 and a loan of \$4,120,000; an Ohio Public Works Commission grant of \$800,000 and a grant from Butler County of \$100,000. The bids received by the Village were higher in cost than expected. The Village is currently in the process of re-bidding the project.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying financial statements of the Village of New Miami, Butler County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **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 2001-001 through 2001-016. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2003.

#### **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. Reportable conditions are described in the accompanying schedules of findings as items 2001-001 through 2001-022.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered items 2001-002 through 2001-009 and items 2001-17 through 2001-022 to be material weaknesses. 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 June 18, 2003.

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

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

**Betty Montgomery**  
Auditor of State

June 18, 2003

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-001**

**Finding for Recovery – Repaid Under Audit**

The Village Clerk/Treasurer received public money for Fraternal Order of Police dues that was payable to the Hamilton Lodge #38 Fraternal Order of Police. These dues were withheld from various police officers paychecks in the total amount of \$924.56 in 2000 and \$379.21 in 2001. The money was not remitted to the Hamilton Lodge #38 Fraternal Order of Police as required. Ohio Rev. Code Section 733.46 requires that the clerk/treasurer of the Village receive and disburse all funds of the Village.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, 117.28, a Finding for Recovery for public money collected but not properly expended was issued against Carol Shaw, Clerk/Treasurer. The finding of \$1,283.77 was repaid under audit.

**FINDING NUMBER 2001-002**

**Noncompliance Citation/Material Weakness**

Ohio Rev. 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 specific 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 Clerk/Treasurer 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 of New Miami recording appropriations, Ohio Rev. Code, Section 5705.40, requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk/Treasurer did not record Community Development Block Grant (CDBG) monies disbursed on behalf of the Village for 2000 of \$13,065 and for 2001 of \$8,831. The accompanying financial statements have been adjusted to reflect the aforementioned receipts and disbursements.

The Clerk/Treasurer did not record the Capital Improvements Program (CIP) monies disbursed on behalf of the Village through the Butler County Community Development Program for 2000 of \$24,416. The accompanying financial statements have been adjusted to reflect the aforementioned receipts and disbursements.

The Clerk/Treasurer also did not establish the following Special Revenue Funds: Street Construction, Maintenance & Repair Fund or the State Highway Fund as required.

**FINDING NUMBER 2001-002**  
**(Continued)**

Ohio Rev. Code, Section 4511.99(A)(1), states that each legislative authority receiving part of the fine imposed under this section should establish an Enforcement and Education Fund (a special revenue fund). This fund should be used by the law enforcement agency to pay only those costs it incurs in enforcing Section 4511.19 of the Revised Code or a substantially similar municipal ordinance and in educating the public of laws governing operation of a motor vehicle while under the influence of alcohol, the dangers of operation of a motor vehicle while under the influence of alcohol, and other information relating to the operation of a motor vehicle and the consumption of alcoholic beverages. No additional Auditor of State permission is necessary for fund establishment; only a resolution of the legislative authority is needed. Also, a part of the fine money is to be paid to the political subdivision responsible for housing the offender during his term of incarceration. This share of the fine should be used by the political subdivision to pay or reimburse incarceration costs and should be paid to the fund that pays the costs of incarceration.

The aforementioned required funds should be established by Village Council to comply with Ohio law. Payments made on-behalf of the Village must also be included in the budgetary process.

**FINDING NUMBER 2001-003**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code, Section 733.28, states, "The village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village, and the income derived there from, and of all taxes and assessments." Ohio Rev. Code, Section 9.38, provides that any public official and/or employee who receive public moneys shall deposit said moneys with the clerk/treasurer of the village on the business day following the day of receipt.

The Recreation Committee did not forward cash collected during fiscal years 2000 and 2001 to the Clerk/Treasurer. A separate bank account, entitled "New Miami Sports," was established by the Recreation Committee. The Recreation Committee deposited all their basketball and baseball team fees and concession sale receipts into this account. Additionally, the Recreation Committee disbursed funds from this bank account via checks for tournament fees, banquets, supplies for concessions and field maintenance expenditures. The Village did not approve these expenditures nor issue checks for the Recreation Committee's expenditures. In addition, the Village Council did not monitor or amend the budget for the Recreation Committee. While the Recreation Committee may collect money for services provided, these should be deposited in the Village bank account and recorded by the Village Clerk/Treasurer. The Recreation Committee cannot disburse funds. Only the Village Clerk, the fiscal officer of the Village, has the authority to write checks for the Village.

The Village should close out the current bank account held by the Recreation Committee and pay in any remaining balance to the Village. The Village should also enact the necessary measures for the Clerk/Treasurer to assume responsibility for the Recreation Committee fiscal activity and to include the monitoring and approval of the Recreation Committee budget and expenditures with Council's management responsibilities. Failure to record all of the Village's fiscal activity results in an understatement of revenues and expenditures in the Village's financial reports. We considered this matter in forming our opinion on the financial statements.

**FINDING NUMBER 2001-004**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code, Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42.

In addition, Ohio Rev. Code, Section 149.39, states in part that when records have been approved for disposal, a copy of such records list shall be sent to the Auditor of State. If the Auditor disapproves the action by the Village's records commission in whole or in part, he shall inform the Village's records commission within a period of sixty days and these records shall not be destroyed. Before public records are otherwise disposed of, the Ohio Historical Society shall be informed and given the opportunity for a period of sixty days to select for its custody or disposal such records as it considers to be of continuing historical value.

Supporting documentation (invoices) could not be found for 34 of the expenditures tested however alternative auditing procedures were used to address this issue. Initially 127 checks could not be accounted for but this amount was eventually reduced to 6 (which audit work revealed did not clear the bank). The Village had 6 deposits without supporting documentation such as transmittal letters, check copies, grant payments or loan receipts. The Village Recreation Committee/Department did not provide records for audit. An agreement with Nextel for phone services could not be located. The Village had no supporting documentation for loans from the Ohio Water Development Authority. Supporting documentation for one payroll expenditure and one retirement enrollment form could not be located. The Village disposed of records without authorization by the Village's records commission, the Auditor of State and the Ohio Historical Society.

We recommend the Village maintain all records as required by law.

**FINDING NUMBER 2001-005**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code, Section 2933.43(D)(1)(c)(ii), states in part that "A law enforcement trust fund shall be established by the legislative authority of each municipal corporation [Village]" and that proceeds or forfeited moneys distributed to any Village shall be allocated from the fund by the legislative authority only to the police department of the Village corporation.

No proceeds or forfeited moneys shall be allocated to or used by a Village police department unless the Village police department has adopted a written internal control policy under division (D)(3) of this section that addresses the use of moneys received from the appropriate law enforcement trust fund.

Any Village police department that is allocated proceeds or forfeited moneys from a Village law enforcement trust fund pursuant to this division during any calendar year shall file a report with the legislative authority of the Village, no later than the thirty-first day of January of the next calendar year, verifying that the proceeds and forfeited moneys were expended only for the purposes authorized by this division and division (D)(3)(a)(ii) of this section and specifying the amounts expended for each authorized purpose.

**FINDING NUMBER 2001-005**  
**(Continued)**

Additionally, Ohio Rev. Code, Section 2933.43(D)(3)(b), requires that each Village police department that receives in any calendar year any proceeds or forfeited moneys out of a law enforcement trust fund under division (D)(1)(c) of this section or uses any proceeds or forfeited moneys in its law enforcement trust fund in any calendar year shall prepare a report covering the calendar year that cumulates all of the information contained in all of the public financial records kept by the Village police department pursuant to division (D)(3)(a) of this section for that calendar year, and shall send a copy of the cumulative report, no later than the first day of March in the calendar year following the calendar year covered by the report, to the Attorney General.

The Village established an Other Special Revenue Fund, Fund 2901, for the proceeds of forfeited monies received from the United States Marshall's office. We recommend this fund be renamed to the Law Enforcement Trust Fund, Fund 2091, and that the report to the Attorney General's office be completed and filed by the required due date for monies receipted and disbursed during any given calendar year. The Village police department should develop a written internal control policy on the use of these monies received.

**FINDING NUMBER 2001-006**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 1907.261(B) and Auditor of State Bulletin 97-019 provide that a Mayor's Court may determine, that for the efficient operation of the court, additional funds are required to computerize the office of the clerk of court, and upon determination, may include in its' schedule of fees and costs under section 1907.24 of the Revised Code an additional fee not to exceed ten dollars on the filing of each cause of action or appeal, on the filing, docketing, and endorsing of each certificate of judgment, or on the docketing and indexing of each aid in execution or petition to vacate, revive, or modify a judgment that is equivalent to one described in division (A), (P), (Q), (T), or (U) of section 2303.20 of the Revised Code. The Treasurer shall place the funds from the fees in a separate fund to be disbursed, upon order of the court and subject to an appropriation by the Village Council, in an amount no greater than the actual cost to the court of procuring and maintaining the computer system. Ohio Rev. Code Section 5705.12 states a taxing authority may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable.

The Mayor's Court charges a seven dollar fee for the computerization of the Court. Contrary to the aforementioned statute, the seven dollar fee is not deposited into a separate fund, but rather to the general fund. For 2001, this amounted to \$2,604; and for 2000, it was \$3,870. We recommend the Village receive the required approval of the auditor of state to establish this fund and that the seven dollar computerization fees be receipted and expended from this new fund. Auditor of State Bulletin 97-019 describes permissible expenditures of these fees.

**FINDING NUMBER 2001-007**

**Noncompliance Citation/Material Weakness**

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:

- A. 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 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.
- B. If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for 27% of expenditures tested, nor were the above exceptions used. In addition, our search for unrecorded liabilities found \$7,257 for 2000 and \$12,069 for 2001 were not properly encumbered. The unrecorded liabilities have been added to the accompanying financial statements. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FINDING NUMBER 2001-008**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code, Section 5705.41(B), states no taxing authority shall make any expenditures of money unless it has been appropriated. Expenditures and outstanding encumbrances exceeded appropriations as follows:

Year 2001:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Trash Fund	\$107,481	\$111,388	(\$ 3,907)
OWDA Debt Fund	96,000	143,609	(47,609)
Police Levy	12,627	13,455	(828)

**FINDING NUMBER 2001-008  
 (Continued)**

Year 2000

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Permissive Motor Vehicle Fund	\$12,204	\$29,890	(\$17,686)
Sanitary Sewer Fund	369,769	377,960	(8,191)
OWDA Debt Fund	0	95,740	(95,740)

Failure to properly monitor appropriations and amend appropriations could result in the illegal expenditure of monies and possible deficit fund balances.

The Clerk should deny payment request exceeding appropriations. The Clerk may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2001-009**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of monies received and expended. Ohio Admin. Code, Section 117-9-01, (prior to July 1, 2000 these requirements were included in the Ohio Admin. Code, Section 117-5), provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example).

Review of the Village's ledgers noted the following exceptions:

- A \$21,500 loan for the purchase of a backhoe was receipted as other local taxes into the Permissive Motor Vehicle Fund (\$10,500) and as miscellaneous revenue in the Water Fund (\$5,250) and in the Sewer Fund (\$5,250). Loan payments made in the audit period were recorded as equipment in the Permissive Motor Vehicle Fund and as supplies and materials in the Water and Sewer Funds.
- The Village received \$278,639 in loan proceeds from the Ohio Water Development Authority which it paid to URS Griener Woodward Clyde for engineering services for a planned new sewer plant facility. These expenditures to URS Griener Woodward Clyde were incorrectly recorded as "debt service, other."
- The required percentages of Homestead and Rollback intergovernmental receipts were not posted to the Fire and Police Special Revenue Funds.
- Certain intergovernmental receipts were posted as tax revenue.
- Amounts maintained by the City of Hamilton for income tax refunds were expensed as auditor and treasurer fees.
- Numerous manually written checks were not posted to the Uniform Accounting Network (UAN) computerized accounting system. Checks were used out of sequential order.

**FINDING NUMBER 2001-009  
(Continued)**

- Returned check fees were not posted to the UAN system.
- Interest revenue was not always posted to the UAN system.
- Deposits were not always posted to the UAN system.
- The Village had both a checking account and a savings account during the audit period. The savings account was used to accumulate funds for OWDA debt service. The village transferred \$4,000 twice a month from the checking account to the savings account for this debt service. When the debt payments were made, the amount of the payment was withdrawn from the savings account and deposited into the checking account, from which the payment was made. The Village recognized all of these bank transfers as revenue and expenditures.

Failure to accurately maintain the Village's accounting 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. The Village has properly reclassified the transactions described above in the accompanying financial statements.

We recommend the Village Clerk accurately maintain the Village's accounting records using the Ohio Admin. Code, Section 117-9-01, and the Village Officers Handbook as guidance.

**FINDING NUMBER 2001-010**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.36, and Auditor of State Bulletin 97-010, require all subdivisions to request reduced amended certificates upon determination by the Clerk that revenue to be collected will be less than the amount in the official certificate of estimated resources, and that expenditures or the incurrence of obligations will be greater than actual resources.

In 2001 estimated receipts for the general fund exceeded actual by \$77,743 and expenditures plus outstanding encumbrances exceeded actual receipts plus unencumbered fund balance by \$12,380.

We recommend the Clerk and Council monitor the budgetary activity of the Village.

**FINDING NUMBER 2001-011**

**Noncompliance Citation/Reportable Condition**

All investment earnings, except as provided in Ohio Rev. Code, Section 135.351, and by resolution adopted pursuant to Ohio Rev. Code, Section 3315.01, shall be credited to the general fund of the municipal corporation.

**FINDING NUMBER 2001-011  
(Continued)**

Ohio Rev. Code, Section 5705.10, requires that all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund. Further, 1982 Op. Atty. Gen. No. 82-031 determined that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Village posted interest to the enterprise funds. Interest should not have been posted to the enterprise funds. Interest was not allocated to the Street and State Highway funds as required, as the village has not established the Street and State Highway funds as of December 31, 2001.

Failure to post interest to the correct funds and line items can result in misuse of funds received. The Village should implement procedures to properly post all interest received to the correct funds and line items. The Village has adjusted their records to allocate the interest revenue to the proper funds for this period.

**FINDING NUMBER 2001-012**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 117.38, provides that each public office, other than a state agency, shall file an annual financial report for each fiscal year. The Auditor of State may prescribe form by rule or may issue guidelines, or both for such report. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. The public office shall publish notice of the annual report completion in the paper, as well.

The Village did not public notice of its annual report for fiscal year 2000 or 2001. We recommend the Village publish notice of the availability of its annual report completion in the paper on a yearly basis.

**FINDING NUMBER 2001-013**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Sections 705.27 and 733.69, require that the clerk of a municipal corporation be bonded in an amount set by the council of the municipal corporation. The clerk of the village does not have a separate bond and is instead covered by an employee blanket bond. We recommend that the village obtain a separate bond for the clerk in an amount stipulated by Council.

**FINDING NUMBER 2001-014**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 735.03, requires that the members of a public utility board be bonded in an amount set by the council of the municipal corporation. The members of the Board of Public Affairs are not bonded. The Village is going to build/install a new sewer system costing an estimated \$7.7 million dollars. We recommend that the Village obtain a separate bond for the members of the Board of Public Affairs in an amount stipulated by the Village Council.

**FINDING NUMBER 2001-015**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 125.04(C), provides that a political subdivision may purchase supplies or services from another party other than the Ohio Department of Administrative Services, including another political subdivision, instead of through participation in contracts described in division (B) of the same section if the political subdivision can purchase services from the other party on equivalent terms, conditions, and specifications but at a lower price than it can through the Ohio Department of Administrative Services. A political subdivision that makes any purchase under this division shall maintain sufficient information regarding the purchase to verify that the political subdivision satisfied the conditions for making a purchase under this division.

Additionally, Section 731.14, Ohio Rev. Code, requires contracts for material exceeding \$15,000 to be subject to competitive bidding.

The Village entered into a lease-purchase agreement with Ford Motor Company on February 17, 2000 for a Ford F-350 Pickup Truck costing \$35,428 and a lease-purchase agreement with Ford Motor Company on February 8, 2000 for Mobile Data Terminals for 3 Patrol Vehicles costing \$20,847 without bidding. The Clerk stated the Village was able to get a better deal than going through the Ohio Department of Administrative Services but could not provide any documentation of this, as required by law. There was no indication that the Village Council approved these lease agreements.

We recommend the Village either follow proper bidding procedures as mandated by the Ohio Revised Code or maintain documentation that the purchases were made at a lower cost than that offered by the Ohio Department of Administrative Services. All lease agreements should be approved by the Village Council and documented in the minutes.

**FINDING NUMBER 2001-016**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.34, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and to certify the levies to the County Auditor before October 1. Council did not authorize the necessary tax levies and certify the levies to the County Auditor for fiscal year 2002. We recommend Council pass the necessary ordinance and certify same to the County Auditor as required.

## FINDING NUMBER 2001-017

### Material Weakness

The Village did not accurately reconcile its bank accounts to fund balances for the two year audit period necessitating a proof of cash be performed to determine the completeness and accuracy of the amounts reported. Examples of discrepancies found are:

- The November 30, 2001 reconciliation had a primary bank balance of \$260,958 but it was reported on the reconciliation as \$268,958 for a difference of \$8,000.
- 11 of the 24 reconciliations had "Other Adjusting Factors" without any support for these adjustments. The largest amount was \$84,316 for the September 30, 2001 reconciliation.
- Eight reconciliations had "Other Adjusting Factors" with some detail indicated on the reconciliation. However, this detail did not equal the amount used in the reconciliations. The largest discrepancy was for August 31, 2001, which showed reconciliation adjustments totaling \$37,656 but the detail listed \$659 for a difference of \$36,997.
- Three reconciliations had deposits in transit listed but there was no supporting documentation. The largest discrepancy was for June 30, 2001 in the amount of \$35,189.
- Two reconciliations had deposits in transit listed and some detail provided, however the detail did not equal the amount used in the actual reconciliation. The largest discrepancy was for July 31, 2001, which listed deposits in transit of \$82,714 and the detail provided for \$47,870 resulting in a difference of \$34,844.
- The Village uses the Uniform Accounting System (UAN). UAN prints the monthly reconciliations and has 10 places for "Governing Board Signatures." None of the 24 reconciliations were approved by the Clerk, Mayor, Village Council or other Village Management.
- As a result of our proof of cash the Village's fund balances as of December 31, 2001 were reduced by 14%.
- The Village had old outstanding checks included on their reconciliation from January 1998.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions.

We recommend the Village Clerk reconcile accurately on a monthly basis. Other Adjusting Factors should be documented and adequately explained. Deposits in transit should be documented by receipt numbers reflecting the date, amount and source of the deposit in transit. These deposits in transit should trace to the subsequent month's bank statement. Village officials should review and sign the reconciliations indicating their approval. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. Outstanding checks older than six months should be investigated and appropriate actions taken to remove them from the reconciliation if they no longer apply.

### FINDING NUMBER 2001-018

#### Material Weakness

Several Village employees were issued gasoline credit cards with individual PIN numbers. The Village did not have procedures in place to monitor accountability governing these purchases.

A gasoline credit card bill dated January 1, 2001 was examined, which had 64 purchases totaling \$1,366.32. Thirty seven of the purchases had an exception code for "Odometer Errors." The odometer readings on the bill indicate a Ford pick-up truck was getting 2,992 miles per gallon, a dump truck of 157 miles per gallon, a street department utility truck of 972 miles per gallon and, unit # 747 of 636 miles per gallon. The fleet monthly total indicated Village vehicles were getting 97 miles per gallon and the year to date (all of 2000) total was 339 miles per gallon. While the credit card bill identifies vehicles by the PIN numbers, this would not prohibit a Village employee from refueling personal vehicles at Village expense. This bill was paid without these discrepancies being investigated.

We recommend the Village adopt a written policy governing the use of gas credit cards. The policy should include, but not be limited to, maintaining a mileage log identifying the vehicle, driver, odometer readings and actual number of miles traveled on official business. This log should be signed by the employee and his/her supervisor and provided to the clerk. The policy should also list authorized credit card users, and how to secure the credit cards.

### FINDING NUMBER 2001-019

#### Material Weakness

Review of the Village's disbursement procedures noted the following weaknesses:

- The Clerk/Treasurer could not account for 127 Village checks at the beginning of audit field work. Subsequently this was reduced to six.
- Fifteen out of sixty disbursements (25%) tested did not have supporting documentation (invoices). Nineteen out of forty-eight disbursements (40%) tested for unrecorded liabilities did not have supporting documentation.
- Four disbursements had late fees totaling \$33. There were two employees with AFLAC insurance that received notices that coverage would be cancelled for non-payment.
- Invoices presented did not include receiving department written approval that the merchandise or services being paid for were actually provided.
- Although the Village has a computerized accounting system, the Uniform Accounting Network (UAN), there was excessive use of manual checks. Many of these manual checks were never entered into the UAN system. Manual checks that were entered into the UAN system were not in agreement with the check number posted to the system, and in some instances the amounts and vendors did not agree. This weakness resulted in the performance a proof of cash to determine the completeness and accuracy of the amounts reported.
- Pre-signed blank checks were provided to the water department employees when the Clerk/Treasurer was not available.
- Proper disbursement account codes were not always used.

**FINDING NUMBER 2001-019  
(Continued)**

To improve accountability and controls over the disbursement process we recommend:

- The Clerk/Treasurer account for all Village checks in sequential order.
- Disbursement should not be made without proper supporting documentation (invoices) signed or initialed by the receiving department indicating the goods and services were actually received.
- Disbursements should be made on a timely basis to avoid late fees.
- The Village should examine their procedures for processing disbursements to reduce the use of manual checks.
- The Clerk/Treasurer should not sign blank checks and provide them to Village employees.
- Proper disbursement codes should be used for accurate reporting of expenditures.

**FINDING NUMBER 2001-020**

**Material Weakness**

The Village had very few internal controls, record keeping was inaccurate and inconsistent, and there were few policies, procedures and account controls instituted by the Village Council to review monthly financial records. This could result in an environment which promotes possible fraud risk or misappropriation of funds. This risk is increased due to the small size of the Village, and a lack of segregation of duties.

The following weaknesses were noted:

- Most of the prior audit findings had not been addressed or corrected.
- Prior year audit adjustments were not posted by the Clerk/Treasurer.
- The Village's accounts had not been reconciled accurately for the entire audit period and was not detected by Council.
- Numerous required funds had not been established by the Clerk/Treasurer and approved by Council.
- Expenditures were made without supporting documentation. The Clerk/Treasurer and former Mayor signed checks which did not have supporting documentation (invoices).
- The Clerk/Treasurer routinely posted revenues and expenditures to the wrong funds or accounts and this was not detected by Council.
- On-behalf grants such as the Community Development Block Grant and Capital Improvements received from Butler County were not accounted for on Village records.

**FINDING NUMBER 2001-020  
(Continued)**

- The Clerk/Treasurer could not provide an ordinance book. Recently enacted ordinances were not published in a local paper as required by Ohio law.
- The former Police Chief entered into grants without Council approval.
- At regular monthly meetings the Council usually approved the payment of bills. However, many of these expenditures did not include supporting documentation.
- Bills were often paid late. Employee health insurance premiums were paid so late that some of the Village's employees received letters indicating their coverage would be cancelled if the employee did not pay the premiums.
- There was no evidence that Council was receiving and approving monthly financial reports.

Monitoring controls should be put into place to help assure that work being performed, laws required to be followed and reports being generated are meeting the objectives of Council and Management. Monitoring controls should be performed by someone independent of those performing the tasks.

The following procedures should be implemented:

- Council should receive monthly financial reports including, but not limited to: bank reconciliations (with supporting documentation such as bank statements and outstanding checklists, deposits in transit), estimated versus actual receipts, and appropriations compared to actual expenditures. Council should receive these reports prior to the regular meetings so that members have an opportunity to review the information and ask informed questions. Council's approval of these reports should be documented in the minutes.
- Upon receiving audit reports, Council should take action to see that the findings are addressed and corrected. Many Council members mentioned they had not seen the prior audit report.
- When Council approves the payment of bills at its regularly scheduled meetings, members should make sure invoices are attached and that the invoices are approved to be paid by the receiving department. Any late fees or vendors threatening to discontinue services for late or nonpayment should be investigated. Any unusual items such [as manually generated checks] should be questioned and response documented.
  - Council should approve application for all grants prior to the Village entering into an agreement.

**FINDING NUMBER 2001-021**

**Material Weakness**

During the course of audit field work we noted the following issues regarding the Clerk/Treasurer's performance of her duties.

- The Clerk/Treasurer did not accurately reconcile Village bank accounts to the Village ledgers (fund balances) for the entire audit period.
- The Clerk/Treasurer is not proficient using the computerized Uniform Accounting Network (UAN).

**FINDING NUMBER 2001-021  
 (Continued)**

**Material Weakness (continued)**

- The Clerk/Treasurer did not appear to understand the Village chart of accounts for establishing funds and correctly recording revenues and disbursements.
- The Clerk/Treasurer did not appear to understand the value of instituting sound internal control policies as evidenced by paying bills without invoices, routinely circumventing the computerized accounting system by issuing manual checks, issuing checks out of sequence, not accounting for all of the Village's checks, signing blank checks and a lack of budgetary monitoring.
- The Clerk/Treasurer does not maintain her records in an organized fashion. Many documents requested by the audit team had to be hunted down or were never found. There is no ordinance/resolution book documenting Village laws and policies.

To improve accountability of the Village's financial information and compliance with laws/regulations we recommend the Clerk/Treasurer seek additional training regarding the duties and responsibilities of a Village Clerk/Treasurer and consult the Village Officers Handbook as needed. The Clerk should become more proficient at using the Uniform Accounting Network. This could be achieved by attending additional classes which are offered for this.

**FINDING NUMBER 2001-022**

**Material Weakness**

The Village's computerized Uniform Accounting Network (UAN) budgetary accounting system did not reflect the actual estimated resources and appropriations as passed by the Village Council as follows.

<b>Particulars:</b>	<b>Per Official Budgetary Document</b>	<b>Posted on the Village's UAN System</b>	<b>Variance</b>
2001 Original Certificate of Estimated Resources	\$1,211,672	\$1,149,513	(\$62,159)
2001 Final Certificate of Estimated Resources	1,202,584	1,149,513	(53,071)
2000 Original Certificate of Estimated Resources	1,310,150	1,075,650	(234,500)
2000 Final Certificate of Estimated Resources	1,653,880	1,075,650	(578,230)
2000 Original Permanent Appropriations	1,651,997	1,669,223	17,226
2000 Final Permanent Appropriations	1,750,957	1,900,464	149,507

The official certificates of estimated resources and appropriation resolutions, and any amendments, as passed by Village Council should be promptly and accurately recorded to the Village's UAN system. Once posted, the estimated resources and appropriations on the UAN system should be compared to the official documents by the Clerk and the Finance Committee. Failure to do so could result in excessive spending and possible negative fund balances.

**VILLAGE OF NEW MIAMI  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1999-30409-001	Ohio Rev. Code Section 5705.39, appropriations exceeding total estimated revenue	Yes	
1999-30409-002	Ohio Rev. Code Section 5705.41(D), not encumbering all expenditures.	No	Reissued as finding 2001-007.
1999-30409-003	Ohio Rev. Code Section 149.351, disposed of or could not locate records.	No	Reissued as finding 2001-004.
1999-30409-004	Ohio Rev. Code Section 733.28, Recreation Committee account & activity not reflected on Village accounting records.	No	Reissued as finding 2001-003 and 2001 -009.
1999-30409-005	Ohio Rev. Code Section 5705.34 did not pass ordinance or resolution authorizing the necessary tax levies and certifying to the County Auditor.	No	Reissued as finding 2001-016.
1999-30409-006	A reportable condition regarding payroll procedures.	No	Some improvement noted, included in the management letter.
1999-30409-007	No policy for employee gasoline credit cards.	No	Reissued as finding 2001-018.
Management Comment #3	Accounting Policies	No	Reissued as finding 2001-020.
Management Comment #8	Annual Report	No	Reissued as finding 2001-020.
Management Comment #9	Cash Reconciliation	No	Reissued as finding 2001-007.
Management Comment #10	Outstanding Encumbrances	No	Reissued as finding 2001-017.
Management Comment # 11	Recreation Committee Reconciliation	No	Reissued as finding 2001-003.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
AUGUST 21, 2003**