



**Auditor of State  
Betty Montgomery**



VILLAGE OF NEW RICMOND  
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2003.....	4
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings.....	33

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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 years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on the entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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.

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify receipt and disbursement transactions.

In our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of New Richmond, Clermont County as of December 31, 2003 and 2002, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2006, on our consideration of the of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

September 25, 2006

VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH  
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Total Unclassified Cash Receipts	\$623,533	\$912,879	\$268,559	\$14,669	\$1,819,640
<b>Cash Disbursements:</b>					
Total Unclassified Cash Disbursements	<u>673,934</u>	<u>946,463</u>	<u>289,144</u>	<u>5,771</u>	<u>\$1,915,312</u>
Excess of Unclassified Cash Receipts Over/(Under) Unclassified Cash Disbursements	(50,401)	(33,584)	(20,585)	8,898	(95,672)
Fund Cash Balances, January 1	<u>59,277</u>	<u>229,263</u>	<u>320,742</u>	<u>102</u>	<u>609,384</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$8,876</u></b>	<b><u>\$195,679</u></b>	<b><u>\$300,157</u></b>	<b><u>\$9,000</u></b>	<b><u>\$513,712</u></b>
Reserves for Encumbrances, December 31	<u>\$498</u>	<u>\$866</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,364</u>

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

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH  
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Cash Receipts:</b>			
Total Unclassified Cash Receipts	\$1,020,313	\$68,767	\$1,089,080
<b>Cash Disbursements:</b>			
Total Unclassified Cash Disbursements	<u>993,737</u>	<u>60,022</u>	<u>\$1,053,759</u>
Excess of Unclassified Cash Receipts Over Unclassified Cash Disbursements	26,576	8,745	35,321
Fund Cash Balances, January 1	<u>120,234</u>	<u>738</u>	<u>120,972</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$146,810</u></b>	<b><u>\$9,483</u></b>	<b><u>\$156,293</u></b>
Reserve for Encumbrances, December 31	<u>\$1,477</u>	<u>\$0</u>	<u>\$1,477</u>

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

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH  
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Total Unclassified Cash Receipts	\$706,409	\$854,707	\$311,137	\$5,169	\$1,877,422
<b>Cash Disbursements:</b>					
Total Unclassified Cash Disbursements	<u>944,678</u>	<u>949,613</u>	<u>301,358</u>	<u>23,031</u>	<u>\$2,218,680</u>
Excess of Unclassified Cash Receipts Over/(Under) Unclassified Cash Disbursements	(238,269)	(94,906)	9,779	(17,862)	(341,258)
Fund Cash Balances, January 1	<u>297,546</u>	<u>324,169</u>	<u>310,963</u>	<u>17,964</u>	<u>950,642</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$59,277</u></b>	<b><u>\$229,263</u></b>	<b><u>\$320,742</u></b>	<b><u>\$102</u></b>	<b><u>\$609,384</u></b>
Reserves for Encumbrances, December 31	<u>\$10,395</u>	<u>\$2,954</u>	<u>\$0</u>	<u>\$0</u>	<u>\$13,349</u>

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

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH  
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Cash Receipts:</b>			
Total Unclassified Cash Receipts	\$751,594	\$95,199	\$846,793
<b>Cash Disbursements:</b>			
Total Unclassified Cash Disbursements	<u>772,090</u>	<u>105,557</u>	<u>\$877,647</u>
Excess of Unclassified Cash Receipts (Under) Unclassified Cash Disbursements	(20,496)	(10,358)	(30,854)
Fund Cash Balances, January 1	<u>140,730</u>	<u>11,096</u>	<u>151,826</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$120,234</u></b>	<b><u>\$738</u></b>	<b><u>\$120,972</u></b>
Reserve for Encumbrances, December 31	<u>\$19,809</u>	<u>\$0</u>	<u>\$19,809</u>

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

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Richmond, Clermont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, police, fire and EMS 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash Deposits**

The Village's funds are pooled in checking accounts with local commercial banks. Certificates of Deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from 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 tax monies to fund police department operations.

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

Ambulance EMS Fund - This fund receives tax monies to fund the ambulance service for the Village.

**3. Capital Project Funds**

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

Bethel New Richmond Road Fund - This fund receives Ohio Public Works Commission (OPWC) monies for street improvements.

**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.

Sewer Debt Fund - This fund receives charges for services from residents to cover the cost of paying debt which was issued to improve the sewer system.

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

Trust funds account for resources restricted by legally binding trust agreements. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Police Pension Fund (Expendable Trust Fund) - This fund receives a portion of the taxes, levied to provide police protection services to the Village's residents, to pay for police pension.

Mayor's Court Fund (Agency Fund) - This fund accounts for monies that are received and disbursed with regards to Mayor's Court operations.

**E. Budgetary Process**

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

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when 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 which should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

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

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

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND DEPOSITS (Continued)**

	2003	2002
Demand deposits	\$664,924	\$441,808
Savings Bond	500	500
Certificates of deposit	0	284,604
Total deposits	\$665,424	\$726,912

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by pooled collateral pledged by the financial institution to the Village.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows (except agency):

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$582,575	\$623,533	\$40,958
Special Revenue	929,484	912,878	(16,606)
Capital Projects	264,657	268,560	3,903
Enterprise	1,045,049	1,020,314	(24,735)
Fiduciary	14,669	14,669	0
Total	\$2,836,434	\$2,839,954	\$3,520

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$764,195	\$674,432	\$89,763
Special Revenue	1,121,527	947,329	174,198
Capital Projects	1,033,615	289,143	744,472
Enterprise	1,144,998	995,215	149,783
Fiduciary	5,271	5,771	(500)
Total	\$4,069,606	\$2,911,890	\$1,157,716

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$789,651	\$706,409	(\$83,242)
Special Revenue	921,888	854,707	(67,181)
Capital Projects	104,208	311,136	206,928
Enterprise	892,869	751,594	(141,275)
Fiduciary	0	5,169	5,169
Total	\$2,708,616	\$2,629,015	(\$79,601)

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,040,365	\$955,073	\$85,292
Special Revenue	1,240,453	952,568	287,885
Capital Projects	177,859	301,358	(123,499)
Enterprise	1,133,883	791,898	341,985
Fiduciary	245	23,031	(22,786)
Total	<u>\$3,592,805</u>	<u>\$3,023,928</u>	<u>\$568,877</u>

Contrary to Ohio law, appropriations exceeded estimated revenue at fiscal year 2003 year-end in the following funds:

Fund	Variance
General	(23,677)
Special Revenue - State Highway	(1,176)
Special Revenue - Drug Law Enforcement	(2,116)
Special Revenue - State Computer	(2,406)
Special Revenue - Permissive Tax	(150)
Special Revenue - Enforcement & Education	(118)
Special Revenue - Fire Levy	(3,142)
Special Revenue - Home Repair Program	(11,711)
Capital Projects - Fire Capital Improvement	(1,048)
Capital Projects - Union Square Park Phase I	(23,147)
Capital Projects - Susanna Park	(157,388)
Capital Projects - Design Standards Guidelines	(6,500)
Capital Projects - Birney Lane Paving	(71,665)
Capital Projects - Bethel New Richmond Rd Stabilization	(91,324)
Capital Projects - Union Square Park Phase II	(51,421)
Capital Projects - Water Telemetry Improvement	(46,080)
Capital Projects - Courtesy Dock	(38,504)
Capital Projects - Streetscape improvement Plan	(5,742)
Enterprise - Garbage	(2,082)
Enterprise - Well Field	(59,401)

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriations at fiscal year 2003 year-end in the following funds:

<b>Fund</b>	<b>Variance</b>
Special Revenue – EMS Grant	(4,290)
Special Revenue – EMS Expenditure Grant	(1,886)
Fiduciary – Trans Ash Escrow	(500)
Enterprise - Sewer Line Bethel/NR	(2,248)
Capital Projects - Ohio River Bike Trail	(10,700)

Contrary to Ohio law, budgetary expenditures plus encumbrances exceeded appropriations at fiscal year 2003 year-end in the following funds:

<b>Fund</b>	<b>Variance</b>
Special Revenue - Street Maintenance and Repair	(2,819)
Special Revenue – EMS Levy	(13,386)

Contrary to Ohio law, budgetary expenditures exceeded appropriations at fiscal year 2002 year-end in the following funds:

<b>Fund</b>	<b>Variance</b>
Special Revenue - Cemetery	(547)
Special Revenue - Permissive Tax	(8,200)
Capital Projects - EMS Expenditure Grant	(8,602)
Capital Projects - EMS Capital Improvement	(116,367)
Capital Projects - Old US 52	(38,182)
Capital Projects - 1164 Flood Mitigation	(3,761)
Capital Projects - Flood Mitigation Assistance Program	(9,833)
Capital Projects - EMS Computer Grant	(500)
Capital Projects - Sycamore Street Drainage	(6,653)
Capital Projects - Disaster Recovery	(25,961)
Fiduciary – Police Pension	(22,786)
Enterprise - Old 52 Water Line	(14,872)

Contrary to Ohio law, budgetary expenditures plus encumbrances exceeded appropriations at fiscal year 2002 year-end in the following funds:

<b>Fund</b>	<b>Variance</b>
Enterprise - Sewer	(31,716)
Enterprise - Well Field	(6,276)

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan – 1994	\$1,875,055	2.20%
Bank Note – Fire Truck	198,302	4.00%
Bank Loan – Salt Truck	21,192	5.00%
OPWC Loan – 2000	67,942	0.00%
Water System Planning & Design #3677	101,534	5.70%
OPWC Loan - 2001	236,503	0.00%
Vehicle Acquisition Bond Anticipation Note - 2003	75,000	2.75%
Bethel/New Richmond Road Sewer Extension	208,217	2.00%
Police Tax Anticipation Note - 2003	<u>50,000</u>	3.00%
 Total	 <u><u>\$2,833,745</u></u>	

The Ohio Water Development Authority (OWDA) 1994 loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semi-annual payments of \$86,196, including interest, January 1 and July 1 of each year for 20 years. The final payment is due July 1, 2016. The loan is collateralized by sewer receipts.

The fire truck bank note, for the purchase of an aerial fire truck, was re-issued March 3, 2003 and is secured by the fire truck. This note will be repaid over four years with four annual payments of \$18,777 beginning June 22, 2003 and one balloon payment of \$171,050 June 22, 2007.

The salt truck loan was entered into February 17, 2001 requiring payments of \$926 for a period of five years. The final payment is due January 17, 2006.

The vehicle acquisition bond anticipation notes were entered into February 28, 2003. This note matures February 28, 2004 at which time principal of \$75,000 and all interest is due.

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT (Continued)**

The Ohio Pubic Works Commission (OPWC) 2000 loan relates to the street drainage, street improvement and water interconnection projects. The loan will be repaid in semi-annual payments of \$2,516 January 1 and July 1 of each year for 15 years. The final payment is due January 1, 2017.

The Ohio Pubic Works Commission (OPWC) 2001 loan relates to a street widening project. The loan will be repaid in semi-annual payments of \$6,064 January 1 and July 2 of each year for 20 years. The final payment is due January 1, 2023.

The Ohio Water Development Authority's (OWDA) Water System Planning and Design account 3677 was for the purpose of engineering expenses related to water system planning and design. The final payment is due July 1, 2007. No payments have been made, because OWDA has not established a final payment schedule.

The Police Tax Anticipation notes were entered into December 23, 2002 for the purpose of current operating expenses of the police department. The note matures December 22, 2004 at which time principal of \$50,000 and all interest is due.

The Ohio Water Development Authority's (OWDA) Bethel/New Richmond Road Sewer Extension, account 3612, was for the purposes of engineering expenses related to the construction of wastewater collection line extension. The loan will be repaid in semi-annual payments of \$9,497 January 1 and July 1 for 30 years. The final payment is due January 1, 2033.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Fire Truck Note	Salt Truck Loan	Vehicle Acq. Bond Ant. Note	Tax Anticipation Note
2004	\$18,777	\$11,113	\$76,875	\$51,500
2005	18,777	11,113		
2006	18,777	926		
2007	71,050			
Total	<u>\$127,381</u>	<u>\$23,152</u>	<u>\$76,875</u>	<u>\$51,500</u>

Year ending December 31:	OWDA Loan 1994	OPWC Loan 2000	OPWC Loan 2001	OWDA Bethel/NR Rd Sewer
2004	\$172,393	\$2,516	\$12,128	\$4,749
2005	172,393	5,033	12,128	9,497
2006	172,393	5,033	12,128	9,497
2007	172,393	5,033	12,128	9,497
2008	172,393	5,033	12,128	9,497
2009 - 2033	1,379,140	42,778	175,862	232,677
Total	<u>\$2,241,105</u>	<u>\$65,426</u>	<u>\$236,502</u>	<u>\$275,414</u>

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT (Continued)**

<u>Year ending December 31:</u>	<u>Total</u>
2004	\$350,051
2005	228,941
2006	218,754
2007	270,101
2008	199,051
2009 - 2033	<u>1,830,457</u>
Total	<u><u>\$3,097,355</u></u>

**Noncompliance with Loan Covenant**

Provisions within the Ohio Water Development Authority Loans, 1994 and 1971 state that "the Village at all times will charge rates for the services of the system. The revenues from the system should at least equal, after meeting such operation and maintenance expenses, the amount of principal and interest debt service requirements necessary in any succeeding year to meet interest and principal maturities of all loans secured solely by revenues of the System."

The Village did not comply with this covenant. For 2003, the Loan covenant required the Sewer System to have an operating income of \$172,394; however, the Sewer System had an operating income of \$163,222.

The possible effects of the Village's noncompliance with the loan covenants include acceleration of the payment of loan principal upon request of the Director. As of the date of the audit opinion, the Director had not requested acceleration of the payment of the principal. The Village did however increase sewer rates by 30% over two years effective on the August 2001 usage.

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

**8. JOINTLY GOVERNED ORGANIZATION**

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, economical, 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), not less than two-fifths of the Governing Board of the CIC shall be composed of 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, 2003, the CIC had no Governing Board. The CIC still owes the Village of New Richmond \$22,500 to repay a loan made by the Village to the CIC which was used to purchase land.

However, the Village cancelled the debt owed to them from the CIC in the above amount per resolution 2004-11 which was adopted on April 27, 2004.

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**9. NON-COMPLIANCE**

Negative fund balances occurred at December 31, 2002 and 2003 in the following funds:

<b>Fund</b>	<b>Fund Balance at December 31, 2002</b>
Enterprise - Water	(5,482)
Enterprise - Garbage	(1,489)

<b>Fund</b>	<b>Fund Balance at December 31, 2003</b>
Capital Projects - Hard Mitigation – 1164 FEMA	(1,777)
Enterprise - Garbage	(2,075)

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, therefore, the Village was unable to accurately reconcile its bank account to fund balances for the two year audit period.

**10. SUBSEQUENT EVENTS**

Subsequent to December 31, 2003 the Village entered into an EMS Tax Anticipation Note in the amount of \$55,000. The Village entered into a contract with Pierce Township for EMS and Fire services. Also, subsequent to December 31, 2003 the Village passed new Fire and Police Levies.

**11. MAYOR'S COURT FUND BALANCE**

Prior year fund balance was incorrect because receipts and disbursements on the financial statements were taken from the bank statements rather than the cashbook. The current financial statements reflect the correct balance from the cashbook.

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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 financial statements of the Village of New Richmond, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 25, 2006, wherein we noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN; and which was qualified since the Village did not classify receipts and disbursements in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-005 and 2003-012.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2003-001 through 2003-003 listed above to be material weaknesses. In a separate letter to the Village's management dated September 25, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-003 through 2003-004 and 2003-006 through 2003-012. In a separate letter to the Village's management dated September 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for 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

September 25, 2006

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2003-001**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

The Village did not accurately reconcile its bank account to fund balances for the two year audit period. This made it necessary for a proof of cash to be performed by Auditor of State to determine the completeness and accuracy of the amounts reported. The following weaknesses were noted:

- At December 31, 2002, the Village's books reported \$3,444 more than the bank and at December 31, 2003, the Village's books reported \$4,561 more than the bank. This variance between the bank and book varied throughout the audit period and could not be identified.
- The December 31, 2002 reconciliation reported an "other adjusting factor" of \$767,033 without support for the adjustment. The December 31, 2003 reconciliation reported another adjusting factor of \$603,243 without support for the adjustment. Due to the poor condition of the financial accounting records it was not practical to identify these shortages.
- All bank reconciliations reported "Other Adjusting Factors". Detailed documentation was not maintained to support all of these items.
- The Auditor of State monthly proof of cash documents disclosed deposits in transit that were not included on the Village's reconciliations for these months and there was no support for deposits in transit that were included on the Village reconciliation.
- The Village uses the Uniform Accounting System (UAN). Monthly reconciliations can be printed from the UAN system. These reconciliations have 10 lines for "Governing Board Signatures". None of the reconciliations were approved by the Clerk, Mayor, Village Council, or other Village Management.

**FINDING NUMBER 2003-001  
(Continued)**

- The Village outstanding check list total did not agree to the list compiled by the AOS.
- Our proof of cash resulted in the Village's fund balances as of December 31, 2003 being reduced by 13% due to errors and omissions on the Village reconciliation.
- The Village did not record the interest earned on the checking and savings accounts as well as the CD's when earned during fiscal year 2002 and 2003.
- Many receipts were not posted to the books, including permit, sewer, water, garbage, utility deposit and cemetery receipts. Instances were noted in which receipts were not posted in a timely manner, and receipts were double posted.
- The payroll clearing account had not been balanced properly. This account has been carrying a balance for several years. The balance at December 31, 2002 was \$94.16 and at December 31, 2003 was \$22,174.53. The payroll clearing account should be reconciled monthly to a zero balance to avoid cumbersome reconciliations.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been properly posted to the bank; and that all transactions with the bank have been recorded to their records. Failure to post all transactions and to reconcile the book balance to the bank balance on a regular basis increases the risk of unauthorized or inaccurate transactions, undetected errors, and loss or misappropriation of funds occurring without timely detection. The Village also incurred additional costs for the audit as errors were identified and corrections proposed. We recommend the Village reconcile their accounts on a monthly basis. Any variance should be immediately investigated and documented. All reconciliations should be reviewed and approved by Council.

**FINDING NUMBER 2003-002**

**Material Weakness**

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or expectations (including significant compliance exceptions), investigate underlying causes and take corrective action. We noted areas for which monitoring controls performed by management should be established. There was no documented review and approval of:

- Monthly bank reconciliations
- Monthly financial reports
- Monthly fund balances
- Budget-to-actual statements

If no review or approval of the monthly reconciliations or reports is performed, incorrect amounts may not be detected and could result in negative fund balances. By having a system in place for review and approval, errors and discrepancies can be noted and corrected in a timely manner.

**FINDING NUMBER 2003-002  
(Continued)**

An effective monitoring control system should be implemented to assist management in detecting material misstatements in financial information. This would include the Council reviewing and approving monthly financial reports, bank reconciliations, fund balances, and budget-to-actual data. Reviewing monthly reports allows Council to evaluate the budget and the efficiency of the departments. These reviews and approvals should be noted in the minutes of Council.

**FINDING NUMBER 2003-003**

**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.

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

- Thirty-seven checks in 2002 were not posted.
- Check numbers per the system did not agree with the bank statements.
- Ten returned checks and other bank fees were not posted to the UAN system.
- Five monthly interest receipts in 2002 and four monthly interest receipts in 2003 were not posted to the UAN system.
- Fifty-seven deposits in 2002 and eight deposits in 2003 were not posted to the UAN system and numerous deposits were posted months later than when received.
- Eighteen payroll expenditures in 2002 were not posted until the following month, over- or under-posted or never posted to the UAN.
- The Village recorded proceeds of debt in the amount of \$50,000 in 2003 that was not received until 2004.
- The Village did not post \$95,000 of Bond Anticipation Note proceeds in 2002 and \$75,000 of Bond Anticipation Note proceeds in 2003.
- An OWDA loan was not identified or recorded on the Village's financial records.
- Debt activity was not completely or accurately posted to the Village records.

Numerous audit adjustments were proposed to the financial statements by the Auditor of State. Failure to accurately maintain the Village's account records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated. 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 Village Officers Handbook as guidance.

## FINDING NUMBER 2003-004

### Noncompliance Citation/Reportable Condition

**Ohio Rev. Code, Section 733.40**, provides that the Mayor needs to maintain an accountability of all money collected in the name of the office. Contrary to this section, there were several exceptions and weaknesses noted during our review of the Mayor's Court records.

- The clerk did not perform a complete and accurate monthly reconciliation. The reconciliation currently done by the clerk did not include outstanding checks or deposits in transit, both of which were applicable in a majority of the months within the audit period.
- Bank charges (i.e., NSF), bank fees, and undeposited items were not being deducted from the amount owed to the Village. The Mayor's bank balance is solely made up of open bonds received from violators. If monthly Village distributions are not reduced by bank charges, these charges would reduce the amount of open bonds being held for violators.
- After tracing all duplicate receipts for the audit period to the cashbook and the bank, it was noted that \$152 should be deducted from the next disbursement to the Village due to errors noted in posting receipts. This amount includes a \$5 increase due to depositing money not receipted or posted to the cashbook, a \$42 deposit made by the Police Clerk for a prior audit finding for recovery that was deposited in the current audit period increasing the next disbursement to the Village, and \$198 in bank fees and overdraft items that should have reduced the monthly disbursement check to the Village when charged against the bank account. We recommend the Mayor's Court Clerk reduce the current amount due to the Village by the net amount of \$152.

We recommend that the following be implemented:

- Timely reconciliations should be performed so that errors can be detected and corrected in a timely manner. This will allow for unrecorded receipts to be detected, recorded and paid to the applicable agency. Furthermore, a report of receipts and disbursements should be submitted to Council for approval on a monthly basis.
- Village distributions should be reduced by all bank charges and fees, including returned item fees. Not deducting these amounts allows the bank balance to go negative. As a result of the bank balance being comprised of only open bonds, during months where no bonds are held and all receipts are distributed to the Village and State fees or charges incurred could result in a negative bank balance.
- The clerk should reconcile the daily duplicate receipts to the daily deposit slip. This will detect any receipts not being deposited and provide documentation of when receipts are deposited.
- The Clerk should provide the Village's Clerk/Treasurer with a monthly detailed breakdown for the allocation of receipts and reconcile these payments to the Village's ledgers.
- A monthly open items list should be maintained.

### FINDING NUMBER 2003-005

#### Reportable Condition

The Village of New Richmond has delegated ambulance billing processing and collecting, which is a significant accounting function, to a third-party administrator. The Village has not established procedures to reasonably determine that the billing service organization has sufficient controls in place and operating effectively to reduce the risk that ambulance billings have not been completely and accurately processed and collected in accordance with the ambulance billing contract. Furthermore, the Village has not established internal control procedures to reasonably determine that ambulance billings have been completely and accurately processed and collected in accordance with the ambulance billing contract.

The Village of New Richmond has delegated payroll processing, which is a significant accounting function, to a third party administrator (PayChex). The Village has not established procedures to reasonably determine the payroll service organization has sufficient controls in place and operating effectively to reduce the risk that payroll has been completely and accurately processed in accordance with the payroll processing contract. However, the Village has established internal control procedures to reasonably determine that payroll has been completely and accurately processed in accordance with the payroll contract.

We recommend that the Village of New Richmond implement procedures to reasonably assure the completeness, and accuracy of ambulance billing and collecting processed by their third-party administrator. Statement on Auditing Standards No. 70 (SAS 70) as amended by SAS No. 88, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 and SAS No. 88, should provide the Village with an appropriate level of assurance that the ambulance bills are being processed in conformance with the contract. However, it may be possible for the Village to obtain an appropriate level of assurance by other means.

We recommend the Village specify in their contract with their third-party administrator that an annual Tier II SAS 70 audit report be performed. The Village should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report. Furthermore, we recommend the Village reconcile the input (run reports) to the output (list of patients and corresponding check from the billing service organization). Documentation of this procedure will ensure that the Village is receiving and properly posting the correct amount.

### FINDING NUMBER 2003-006

#### Noncompliance Citation

**Ohio Water Development Authority Loan Water Pollution Control Loan Fund Agreement 1971 and 1994 Article IV Section 4.3(a)** states that "the Village at all times will charge rates for the services of the system. The revenues from the system should at least equal, after meeting such operation and maintenance expenses, the amount of principal and interest debt service requirements necessary in any succeeding year to meet interest and principal maturities of all loans secured solely by revenues of the System."

**FINDING NUMBER 2003-006  
 (Continued)**

The Village did not comply with this covenant. For 2003, the Loan covenant required the Sewer System to have an operating income of \$172,394; however, the Sewer System had an operating income of \$163,222. The possible effects of the Village's noncompliance with the loan covenants include acceleration of the payment of loan principal upon request of the Director. As of the date of the audit opinion, the Director had not requested acceleration of the payment of the principal. The Village did however increase sewer rates by 30% over two years effective on August 2001 usage.

We recommend that the Village assess their rates and increase them if necessary to comply with the revenue requirement established in the debt covenant.

**FINDING NUMBER 2003-007**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.10**, provides that money paid into any fund shall be used only for the purpose for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The following funds had negative fund balances at year end:

<b>Fund</b>	<b>Fund Balance at December 31, 2002</b>
Enterprise - Water	(5,482)
Enterprise - Garbage	(1,489)

<b>Fund</b>	<b>Fund Balance at December 31, 2003</b>
Capital Projects - Hard Mitigation – 1164 FEMA	(1,777)
Enterprise - Garbage	(2,075)

We recommend that the Village reconcile, monitor fund balances, and take corrective action to ensure positive fund balances.

**FINDING NUMBER 2003-008**

**Noncompliance Citation**

**Ohio Rev. Code, Sections 5705.14, 5705.15, & 5705.16**, provide guidelines pertaining to allowable inter-fund transfers. Of these, Ohio Rev. Code Section 5705.14(B) provides that the unexpected balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, may be transferred, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

The Village transferred money out of the Police Fund and Bethel/New Richmond Road Widening Fund to the General Fund without obtaining a court order for their transfer. These transfers were unallowable. We recommend that the Village obtain approval by the Court of Common Pleas when applicable, and that Village Council approve all transfers.

**FINDING NUMBER 2003-008**  
**(Continued)**

Per Auditor of State Bulletin 1997-003, Inter-fund cash advances are subject to the following requirements:

1. Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
2. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
3. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
4. Advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include:
  - a. A specific statement that the transaction is an advance of cash, and
  - b. An indication of the money (fund) from which it is expected that repayment will be made.

The Village approved the advances for 2002 and 2003 on December 9, 2003, and the transactions had already been posted to the system. However, the minutes stated that these advances were transfers.

The minute record did not include when the advances were expected to be paid back and what the advance is for. Failure to include all information in the minute record could result in an unclear intent of Council, possible errors in making the advance, or the oversight in repayment of the advance. We recommend that the minute record document all the required information when approving an advance.

Furthermore, the total amount of transfers that were posted in the 2003 financial statements did not agree to the total amount of transfers that were approved in the minutes. The total amount of transfers posted was \$194,438. The total amount of transfers approved in the minutes was \$162,526. We recommend that the Fiscal Officer approve in the minutes the correct amount of transfers to the amount of transfers that are posted in the financial statements.

**FINDING NUMBER 2003-009**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.36(A)(4)**, states that upon determination by the fiscal officer of a municipal corporation that revenue to be collected will be greater or less than the amount included in the official certificate, the fiscal officer shall certify the amount of the excess or deficiency to the commission. At December 31, 2002, the General, Cemetery, EMS Levy, and Water Funds estimated receipts exceeded actual receipts by \$88,242, \$2,849, \$61,868 and \$9,222, respectively, and actual disbursements plus encumbrances exceeded available funds by \$3,165, \$5,210, \$7,660 and \$8,253, respectively. Failure to monitor and amend estimated receipts when needed, resulted in the Village obligating more funds than they had available. We recommend that the Village comply with the above Ohio Revised Code section and obtain amended certificates when necessary.

**FINDING NUMBER 2003-010**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.39**, states that the total appropriations from each fund should not exceed the total estimated revenue. Appropriations exceeded estimated revenue in the following funds for fiscal year 2003:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Revenue</b>	<b>Variance</b>
General	756,859	733,182	(23,677)
State Highway	13,000	11,824	(1,176)
Drug Law Enforcement	8,545	6,429	(2,116)
State Computer	14,395	11,989	(2,406)
Permissive Tax	14,222	14,072	(150)
Enforcement & Education	3,314	3,196	(118)
Fire Levy	111,900	108,758	(3,142)
Home Repair Program	99,337	87,626	(11,711)
Fire Capital Improvement	20,000	18,952	(1,048)
Union Square Park Phase I	23,147	0	(23,147)
Susanna Park	173,475	16,087	(157,388)
Design Standards Guidelines	6,500	0	(6,500)
Birney Lane Paving	88,000	16,335	(71,665)
Bethel New Richmond Rd Stabilization	174,100	82,776	(91,324)
Union Square Park Phase II	51,421	0	(51,421)
Water Telemetry Improvement	46,080	0	(46,080)
Courtesy Dock	38,504	0	(38,504)
Streetscape improvement Plan	26,000	20,258	(5,742)
Garbage	104,817	102,735	(2,082)
Well Field	156,276	96,875	(59,401)

Failure to comply with the above Ohio Revise Code section resulted in the Village appropriating more funds than they expected to have available. This practice could result in negative fund balances due to spending more funds than are available. We recommend that the Village compare estimated revenue with appropriations before making any modifications to these official documents.

**FINDING NUMBER 2003-011**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(B)**, provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. Expenditures exceeded appropriations at fiscal year-end 2002 in the following funds:

**FINDING NUMBER 2003-011  
 (Continued)**

<b>Fund</b>	<b>Expenditures</b>	<b>Appropriations</b>	<b>Variance</b>
Special Revenue - Cemetery	26,311	25,764	(547)
Special Revenue - Permissive Tax	23,500	15,300	(8,200)
Capital Projects - EMS Expenditure Grant	8,602	0	(8,602)
Capital Projects - EMS Capital Improvement	166,367	50,000	(116,367)
Capital Projects - Street Infrastructure	38,182	0	(38,182)
Capital Projects - 1164 Flood Mitigation	3,761	0	(3,761)
Capital Projects - 1164 Flood Mitigation Escrow	67	0	(67)
Capital Projects - Flood Mitigation Assistance Program	9,833	0	(9,833)
Capital Projects - EMS Computer Grant	500	0	(500)
Capital Projects - Sycamore Street Drainage	6,653	0	(6,653)
Capital Projects - Disaster Recovery	25,961	0	(25,961)
Fiduciary – Police Pension	23031	245	(22,786)
Enterprise – Old 52 Water Line	14,872	0	(14,872)

Expenditures plus encumbrances exceeded appropriations at fiscal year-end 2002 in the following funds:

<b>Fund</b>	<b>Expenditures Plus Encumbrances</b>	<b>Appropriations</b>	<b>Variance</b>
Enterprise - Sewer Revenue	245,066	213,350	(13,159)
Enterprise - Well Field	6,276	0	(6,276)

Expenditures exceeded appropriations at fiscal year-end 2003 in the following funds:

<b>Fund</b>	<b>Expenditures</b>	<b>Appropriations</b>	<b>Variance</b>
Special Revenue – EMS Grant	4,290	0	(4,290)
Special Revenue – EMS Expenditure Grant	1,886	0	(1,886)
Fiduciary – Trans Ash Escrow	500	0	(500)
Enterprise - Sewer Line Bethel/NR	161,383	159,135	(2,248)
Capital Projects - Ohio River Bike Trail	40,700	30,000	(10,700)

Expenditures plus encumbrances exceeded appropriations at fiscal year-end 2003 in the following fund:

<b>Fund</b>	<b>Expenditures Plus Encumbrances</b>	<b>Appropriations</b>	<b>Variance</b>
Special Revenue - Street Maintenance and Repair	96,746	93,927	(2,891)
Special Revenue - EMS Grant	382,760	369,374	(13,386)

We recommend that the Village monitor budgetary activity and obtain supplemental appropriations throughout the year to mitigate negative variances.

## FINDING NUMBER 2003-012

### Noncompliance Citation/Reportable Condition

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds for purchase commitments for 76% of expenditures tested in 2002 and 47% of expenditures tested in 2003 and neither of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2003-012**  
**(Continued)**

We recommend the Village officials and employees obtain the Clerk's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**This page intentionally left blank.**

**VILLAGE OF NEW RICHMOND  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2001-30413-001	Village accounts unreconciled.	No	Not corrected. Reissued as finding 2003-001
2001-30413-002	Lack of financial monitoring.	No	Not corrected. Reissued as finding 2003-002
2001-30413-003	ORC Section 5705.10, negative fund balances	No	Not corrected. Reissued as finding 2003-009
2001-30413-004	ORC Section 5705.39, appropriations exceeding estimated revenue	No	Not corrected. Reissued as finding 2003-013
2001-30413-005	ORC Section 5705.41(B). expenditures exceeding appropriations	No	Not corrected. Reissued as finding 2003-014
2001-30413-006	ORC Section 5705.41(D). Failure to properly certify the availability of funds.	No	Not corrected. Reissued as finding 2003-015
2001-30413-007	Mayor's Court account unreconciled.	No	Not corrected. Reissued as finding 2003-004
2001-30413-008	Lack of internal controls over EMS billing.	No	Not corrected. Reissued as finding 2003-005
2001-30413-009	Noncompliance with Debt Covenant.	No	Not corrected. Reissued as finding 2003-006
2001-30413-010	Employee pay advances.	Yes	
2000-30413-011	Program income not expended within 30 days.	N/A	Finding not valid this audit.
2000-30413-012	Did not establish mitigation funds.	Yes	
2000-30413-013	Incorrect amounts reported on Quarterly reports	N/A	Finding not valid this audit.
2000-30413-014	OMB Circular A-133 § 200(a), did not audit federal program	N/A	Finding not valid this audit.





**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 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  
OCTOBER 19, 2006**