VILLAGE OF NEW VIENNA
CLINTON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2011-2010

Dave Yost • Auditor of State

VILLAGE OF NEW VIENNA
CLINTON COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

Dave Yost • Auditor of State

Village of New Vienna
Clinton County
97 West Main Street, PO Box 323
New Vienna, Ohio 45159

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Dave Yost

Dave Yost
Auditor of State

June 28, 2012

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.auditor.state.oh.us

This page intentionally left blank.

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Vienna
Clinton County
97 West Main Street, PO Box 323
New Vienna, Ohio 45159

To the Village Council:

We have audited the accompanying financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of New Vienna, Clinton, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of New Vienna adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Dave Yost

Dave Yost
Auditor of State

June 28, 2012

VILLAGE OF NEW VIENNA
CLINTON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	$29,168	$40,602		$69,770
Intergovernmental	32,740	54,472	507,859	595,071
Special Assessments	853			853
Fines, Licenses and Permits	6,190			6,190
Earnings on Investments	695	127		822
Miscellaneous	7,089	448		7,537
Total Cash Receipts	76,735	95,649	507,859	680,243
Cash Disbursements				
Current:				
Security of Persons and Property	18,744	42,231		60,975
Basic Utility Services	2,735			2,735
Transportation		39,755		39,755
General Government	40,461			40,461
Capital Outlay			507,859	507,859
Total Cash Disbursements	61,940	81,986	507,859	651,785
Excess of Receipts Over (Under) Disbursements	14,795	13,663	0	28,458
Other Financing Receipts (Disbursements)				
Advances In	5,337			5,337
Advances Out		(5,337)		(5,337)
Total Other Financing Receipts (Disbursements)	5,337	(5,337)	0	0
Net Change in Fund Cash Balances	20,132	8,326	0	28,458
Fund Cash Balances, January 1	60,197	95,823		156,020
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	104,149	0	104,149
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	80,329	0	0	80,329
Fund Cash Balances, December 31	$80,329	$104,149	$0	$184,478

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

VILLAGE OF NEW VIENNA
CLINTON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) ALL PROPRIETARY AND FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2011

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	$460,011		$460,011
Miscellaneous	1,213		1,213
Total Operating Cash Receipts	461,224	0	461,224
Operating Cash Disbursements			
Personal Services	69,419		69,419
Employee Fringe Benefits	10,993		10,993
Contractual Services	124,866		124,866
Supplies and Materials	69,591		69,591
Other	6,188	3,459	9,647
Total Operating Cash Disbursements	281,057	3,459	284,516
Operating Income (Loss)	180,167	(3,459)	176,708
Non-Operating Receipts (Disbursements)			
Special Assessments	18		18
Capital Outlay	(54,844)		(54,844)
Principal Retirement	(74,200)		(74,200)
Interest and Other Fiscal Charges	(67,381)		(67,381)
Total Non-Operating Receipts (Disbursements)	(196,407)	0	(196,407)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	(16,240)	(3,459)	(19,699)
Transfers In	149,200		149,200
Transfers Out	(149,200)		(149,200)
Net Change in Fund Cash Balances	(16,240)	(3,459)	(19,699)
Fund Cash Balances, January 1	319,078	3,459	322,537
Fund Cash Balances, December 31	$302,838	$0	$302,838

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

VILLAGE OF NEW VIENNA
CLINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	$30,836	$45,665	$0	$76,501
Intergovernmental	59,312	56,400	329,409	445,121
Special Assessments	1,101			1,101
Fines, Licenses and Permits	5,091			5,091
Earnings on Investments	1,448	512		1,960
Miscellaneous	6,151	64		6,215
Total Cash Receipts	103,939	102,641	329,409	535,989
Cash Disbursements:				
Current:				
Security of Persons and Property	18,907	37,387		56,294
Basic Utility Service	2,502			2,502
Transportation		48,475		48,475
General Government	49,595			49,595
Capital Outlay			329,409	329,409
Total Cash Disbursements	71,004	85,862	329,409	486,275
Total Receipts Over/(Under) Disbursements	32,935	16,779	0	49,714
Other Financing Receipts / (Disbursements):				
Transfers-Out	(10,736)			(10,736)
Advances-In	11,700	1,700		13,400
Advances-Out	(1,700)	(11,700)		(13,400)
Total Other Financing Receipts / (Disbursements)	(736)	(10,000)	0	(10,736)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	32,199	6,779	0	38,978
Fund Cash Balances, January 1	27,998	89,044		117,042
Fund Cash Balances, December 31	**$60,197**	**$95,823**	**$0**	**$156,020**

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

VILLAGE OF NEW VIENNA
CLINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Proprietary Fund Types	Fiduciary Fund Types	
	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	$469,684	$0	$469,684
Fines, Licenses and Permits		$440	440
Miscellaneous	2,136		2,136
Total Operating Cash Receipts	471,820	440	472,260
Operating Cash Disbursements:			
Personal Services	53,625		53,625
Employee Fringe Benefits	6,754		6,754
Contractual Services	145,015		145,015
Supplies and Materials	54,006		54,006
Other	13,600		13,600
Total Operating Cash Disbursements	273,000	0	273,000
Operating Income/(Loss)	198,820	440	199,260
Non-Operating Cash Disbursements:			
Capital Outlay	(42,774)		(42,774)
Redemption of Principal	(70,348)		(70,348)
Interest and Other Fiscal Charges	(69,859)		(69,859)
Total Non-Operating Cash Disbursements	(182,981)	0	(182,981)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	15,839	440	16,279
Transfers-In	190,760		190,760
Transfers-Out	(180,024)		(180,024)
Net Receipts Over/(Under) Disbursements	26,575	440	27,015
Fund Cash Balances, January 1	292,503	3,019	295,522
Fund Cash Balances, December 31	**$319,078**	**$3,459**	**$322,537**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Vienna, Clinton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, refuse collections and police services.

The Village participates in a jointly governed organization and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

Public Entity Risk Pool:

Public Entities Pool of Ohio - provides the Village with liability and property insurance Coverage.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit 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. Summary of Significant Accounting Policies (Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

Police Levy Fund – This fund receives tax money to provide security of persons and property.

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:

Permanent Improvement On Behalf Fund – This fund is maintained to reflect the on-behalf grant receipt and expenditures for various capital projects.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Debt Service Fund - This fund accounts for the principal and interest payments for the Village's water debt.

Sewer Debt Service Fund – This fund accounts for the principal and interest payments for the Village's sewer debt.

1. Summary of Significant Accounting Policies (Continued)

5. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for fines collected by the Mayor's Court and distributed to the Village and other governmental agencies. The Mayor's Court discarded operations in September 2004. The Village closed the Agency Fund in January 2011.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

During 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Summary of Significant Accounting Policies (Continued)

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

2. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	$384,187	$376,008
Certificates of deposit	103,129	102,549
Total deposits	487,316	478,557
Total deposits and investments	$487,316	$478,557

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$59,000	$82,072	$23,072
Special Revenue	81,100	95,649	14,549
Capital Projects	800,900	507,859	(293,041)
Enterprise	644,400	610,442	(33,958)
Total	$1,585,400	$1,296,022	($289,378)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$97,425	$61,940	$35,485
Special Revenue	156,830	87,323	69,507
Capital Projects	300,000	507,859	(207,859)
Enterprise	694,700	626,682	68,018
Total	$1,248,955	$1,283,804	($34,849)

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$74,548	$115,639	$41,091
Special Revenue	102,975	104,341	1,366
Capital Projects	692,325	329,409	(362,916)
Enterprise	638,000	662,580	24,580
Total	$1,507,848	$1,211,969	($295,879)

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$110,836	$83,440	$27,396
Special Revenue	164,925	97,562	67,363
Capital Projects	692,325	329,409	362,916
Enterprise	721,974	636,005	85,969
Total	$1,690,060	$1,146,416	$543,644

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects Fund by $207,859 for the year ended December 31, 2011. The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments as required by the Ohio Revised Code, Section 5705.41(D). Contrary to Ohio law, appropriations exceeded estimates resources in the various funds.

4. Property Tax

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

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

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

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

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
OWDA Sewer Improvement Loan	$56,421	2.00%
OWDA Water System Improvement Loan	170,985	5.14%
OWDA Sewer System Planning & Design Loan	349,382	3.92%
OWDA Sewer Construction Loan	170,723	5.74%
OPWC Water System Repair & Replacement Loan	60,756	0.00%
First Mortgage Water Revenue Loan	227,000	5.00%
First Mortgage Sewer Revenue Loan	425,000	5.00%
Pump Station Renovation	4,154	
Total	$1,464,421	

5. Debt (Continued)

A. Ohio Water Development Authority (OWDA) Loans:

The OWDA Sewer Improvement loan relates to a wastewater treatment plant construction project. The OWDA approved the loan in 1987 and initial payments began in 1989. The financed amount totaled $456,502, plus interest, to be repaid over a period of 25 years, with semi-annual payments (January 1st and July 1st). Loan repayments were made through the Enterprise Sewer Debt Service Fund.

The OWDA Water System Improvements loan relates to a water system improvement project. The OWDA approved the loan in September, 2002 in the amount of $190,000. During the construction of the project, certain interest was capitalized to the loan bringing the original loan amount, including capitalized interest, to $196,365. The balance, plus interest, is to be repaid over a period of 30 years, with semi-annual payments (January 1st and July 1st) beginning in 2005. Loan repayments were made through the Enterprise Water Debt Service Fund.

The OWDA approved a loan in July, 2001 in the amount of $187,600 for Sewer System Planning and Design. During the construction of the project certain amounts were encumbered by OWDA, but not disbursed totaling $23,297. Interest was capitalized on the loan, during construction, bringing the original loan amount, including capitalized interest as of December 31, 2005 to $199,323. The OWDA Sewer System Planning & Design loan with a principal balance of $199,323 was rolled into the Sewer Improvement Project (Huhtamaki) which was completed in 2007. The new OWDA Sewer Pump Station and Force Main Improvement Project loan has not been fully completed and amortized, however loan documentation as of December 31, 2007 indicates that the total financed balance is expected to be $385,796, which included the payoff of the OWDA Sewer System Planning and Design Loan. The principal amount financed by the Village at December 31, 2007 was $354,167. The interest rate has been established at 3.92% and will have a term of thirty years. Loans were repaid through the Enterprise Sewer Debt Service Fund.

The OWDA Sewer Construction loan relates to a sewer pump station rehabilitation project. The OWDA approved the loan in July, 2001, in the amount of $196,685. During the construction of the project, certain interest was capitalized to the loan bringing the original loan amount, including capitalized interest, to $200,582. The balance, plus interest, is to be repaid over a period of 30 years, with semi-annual payments (January 1st and July 1st) beginning in 2005. Loan repayments were made through the Enterprise Sewer Debt Service Fund.

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

B. Ohio Public Works Commission (OPWC) Loan:

The OPWC loan was part of a grant/loan acquired through the OPWC's State Capital Improvement Program for a Water System Repair and Replacement project. The project agreement was approved in July, 2002. The purpose of the grant/loan was to extend current waterlines, add a booster station, and make upgrades to the water treatment plant.

5. Debt (Continued)

The OPWC paid $200,000, in the form of a grant to the Village, directly to the contractor/ vendor in 2003. The Village received a loan in an amount up to $100,000 with an interest rate of 0% to be repaid over a period of 20 years. The OPWC paid $17,865 (in 2003) and $43,958 (in 2004) directly to the contractor/ vendor. The OPWC paid $35,387 to the Village for costs associated with the project. The original loan balance to be repaid by the Village totals $97,210. Repayment of the loan began in 2005 with equal, semi-annual payments. Loan repayments were made through the Enterprise Water Debt Service Fund.

C. First Mortgage Water Revenue Loan (FmHA):

The Farmer's Home Administration (FmHA) loan was initiated in October, 1984 in the amount of $416,000, at an interest rate of 5%. This loan, plus interest, was set to be repaid over a period of 40 years, with annual payments. Loan repayments were made through the Enterprise Water Debt Service Fund.

The loan agreement between the Village and the FmHA requires that a reserve fund be established equal to one annual payment. This reserve fund is to be funded at the rate of $1/10^{th}$ of an annual payment per year for 10 years. The Village established this reserve fund in 2009.

D. First Mortgage Sewer Revenue Loan (FmHA):

The Farmer Home Administration (FmHA) loan was initiated in October, 1988 in the amount of $638,000, at an interest rate of 5%. This loan was acquired for the purpose of constructing a wastewater treatment plant and installing sewer lines throughout the Village. This loan, plus interest, was set to be repaid over a period of 40 years, with annual payments. Loan repayments were made through the Enterprise Sewer Debt Service Fund.

The loan agreement between the Village and the FmHA requires that a reserve fund be established equal to one annual payment. The Village established a reserve fund in 2009.

E. Pump Station Renovation:

The OWDA approved a loan on October 29, 2009 in the amount of $83,081 for the Pump Station Renovation Project. The term of the loan is for 20 years beginning on January 1, 2011 and ending July 1, 2030. As of December 31, 2011, the Village had principal outstanding of $48,415. An amortization schedule is not complete at this time. In conjunction with the loan, the Village was awarded an ARRA grant for the Pump Station Renovation Project in the amount of $249,244. As of December 31, 2009, $16,250 of the ARRA funds were disbursed for the Project's design. During the audit period, the remaining $232,994 was disbursed.

5. Debt (Continued)

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

Year ending December 31:	OWDA Sewer Improvement Loan	OWDA Water System Improvement Loan	OWDA Sewer System Planning & Design Loan	OWDA Sewer Construction Loan	OPWC Water System Repair & Replacement Loan
2012	$23,382	$12,910	$20,180	$14,094	$4,860
2013	23,382	12,910	20,180	14,094	4,860
2014	11,691	12,910	20,180	14,094	4,860
2015		12,910	20,180	14,094	4,860
2016		12,910	20,180	14,094	4,860
2017 - 2021		64,548	100,902	70,470	24,303
2022 - 2026		64,548	100,902	70,470	12,153
2027 - 2031		64,548	100,902	70,470	
2032 - 2036		32,274	100,902	14,094	
2037			10,090		
Total	$58,455	$290,468	$514,598	$295,974	$60,756

	First Mortgage Water Revenue Loan	First Mortgage Sewer Revenue Loan	Total Debt
2012	$24,350	$37,250	$137,026
2013	23,700	37,450	136,576
2014	24,050	37,600	125,385
2015	24,350	37,700	114,094
2016	24,600	37,750	114,394
2017 – 2021	120,500	188,750	569,473
2022 – 2026	72,700	189,600	510,373
2027 – 2031		75,300	311,220
2032 – 2036			147,270
20357			10,090
Total	$314,250	$641,400	$2,175,901

6. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

7. Risk Management

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained $350,000 for casualty claims and $150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	$34,952,010	$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	$20,631,198	$21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately $12.9 million and $14.1 million of estimated incurred claims payable. The assets above also include approximately $12.4 million and $13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Government's share of these unpaid claims collectible in future years is approximately $5,000.

7. Risk Management (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2011	**2010**
$5,363	$10,657

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Jointly Governed Organizations

The Clinton Highland Joint Fire District, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a five-member Board of Trustees. The Board consists of one representative from each political subdivision within the District. The Clinton Highland Joint Fire District is comprised of Green Township and Wayne Township in Clinton County; Union Township and Penn Township in Highland County; and the Village of New Vienna in Clinton County. The District provides fire protection and rescue services within the District and contracts with certain areas outside of the District.

This page intentionally left blank.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of New Vienna
Clinton County
97 West Main Street, Box 323
New Vienna, Oho 43907

To the Village Council:

We have audited the financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 28, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* We also noted the Government processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards,* which are described in the accompanying schedule of findings as items 2011-02 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 28, 2012.

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

Dave Yost
Auditor of State

June 28, 2012

VILLAGE OF NEW VIENNA
CLINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

Material Weakness

The Village inaccurately posted interest revenue and reconciling items which resulted in a misstatement of the General Fund balances by ($4,963) and ($788) at December 31, 2010 and 2011 respectively.

Additionally, the Village did not post the following transactions to the correct transaction line item in the Capital Project fund:

Year	Transaction	Amount	Correct Transaction Line Item	Transaction Line Item Reported
2010	OWDA on Behalf Payments	$184,682	Intergovernmental Revenue	Special Assessments
2011	OWDA on Behalf Payments	$236,802	Intergovernmental Revenue	Special Assessments

Finally, the Village did not post the following transactions to the accounting records:

Transaction	Amount	Line Item Classification
2010 Capital Projects Fund		
OWDA on Behalf Payments	$144,727	Intergovernmental Revenue
OWDA on Behalf Payments	$144,727	Capital Outlay Expenditure
2011 Capital Projects Fund		
OWDA on Behalf Payments	$271,056	Intergovernmental Revenue
OWDA on Behalf Payments	$271,056	Capital Outlay Expenditure

As a result, the accounting records and the financial statements presented by the Village were not an accurate reflection of all moneys received and expended. Also, the Village's book-to-bank reconciliations were not accurate. The 2011 and 2010 financial statements and accounting records were adjusted to correct these errors.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity and make informed financial decisions, 3) increases the risk that errors, theft and fraud could occur and not be detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the Fiscal Officer accurately maintain the Village's accounting records in accordance with the Uniform Accounting System prescribe by the Auditor of State. We also recommend that the Fiscal Officer review Auditor of State Bulletin 2000-008 *Accounting for Cash Basis Local Governments' Participation in On-Behalf-Of Grants for Improvement Projects,* For added accountability, we recommend Council review all bank reconciliations and supporting documentation for accuracy and ensure that all reconciling items are justified.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. During 2011, the expenditures exceeded appropriations in the following fund:

Fund	Appropriations	Expenditures	Variance
Capital Projects Fund	$300,000	$507,859	($207,859)

Failure to monitor budgetary activity resulted in overspending and negative fund balances. We recommend the fiscal officer deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the fiscal officer provide budgetary reports to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Rev. Code, Sections 5705.36 (A)(5) and 5705.39, provide that appropriations shall not exceed the amount of estimated revenue available for expenditure as certified by the budget commission on the official certificate of estimated resources. Appropriations exceeded estimated resources as follows:

Fund	2011 Certificate of Estimated Resources	2011 Appropriations	Variance
Police Fund	$48,003	$51,150	$(3,147)

Fund	2010 Certificate of Estimated Resources	2010 Appropriations	Variance
General Fund	$98,744	$110,836	($12,092)
Police Fund	46,566	48,825	(2,259)

Failure of the Village to monitor budgetary activity could result in overspending and negative fund balances. The management of the Village should monitor the budgetary receipts and expenditures. The fiscal officer should provide budgetary documents at least quarterly to be reviewed and approved by the

Village Council. By regularly reviewing the budgetary documents throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

FINDING NUMBER 2011-004

Noncompliance Citation

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

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

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

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

2. Blanket Certificate **–** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate **–** The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds for purchase commitments for 90% of the expenditures tested, and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2011-004
(Continued)

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. We also recommend that the Village establish a maximum amount for blanket certificates by resolution.

We did not receive a response from officials to the findings above.

VILLAGE OF NEW VIENNA
CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2009-001	Finding for adjustment against the General Fund for an unpaid advance.	Yes	N/A
2009-002	Failure to accurately maintain accounting records and failure to reconcile.	No	Partially Corrected. Reissued as Finding 2011-01
2009-003	Expenditures exceeded appropriations	No	Partially Corrected. Reissued as Finding 2011-02
2009-004	Appropriations exceeded estimated resources	No	Partially Corrected. Reissued as Finding 2011-03.
2009-005	Failure to prior certify expenditures	No	Reissued as Finding 2011-04
2009-006	Failure to establish required reserve funds	Yes	N/A
2009-007	Lack of controls and accountability over Mayor's Court	Yes	N/A
2009-008	Lack of internal controls over the Village.	Yes	N/A
2009-009	Lack of monitoring over amended certificates of estimated resources	Yes	N/A

This page intentionally left blank.

Dave Yost • Auditor of State

VILLAGE OF NEW VIENNA

CLINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 07, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us