



**Auditor of State
Betty Montgomery**

VILLAGE OF NEW MIAMI
BUTLER COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

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

The Village's financial transactions were processed using 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 this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 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

January 19, 2005

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

| | <u>Governmental Fund Types</u> | | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|--------------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Expendable Trust</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$37,960 | \$84,131 | | \$122,091 |
| Municipal Income Tax | 127,665 | | | 127,665 |
| Intergovernmental Receipts | 156,062 | 133,372 | | 289,434 |
| Charges for Services | 2,550 | | | 2,550 |
| Fines, Licenses, and Permits | 70,695 | 1,798 | | 72,493 |
| Earnings on Investments | 4,755 | 53 | \$41 | 4,849 |
| Miscellaneous | 15,397 | 1,078 | | 16,475 |
| Total Cash Receipts | <u>415,084</u> | <u>220,432</u> | <u>41</u> | <u>635,557</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 179,267 | 154,117 | | 333,384 |
| Public Health Services | 2,806 | | | 2,806 |
| Leisure Time Activities | 11,264 | | | 11,264 |
| Community Environment | | | 520 | 520 |
| Basic Utility Services | | 709 | | 709 |
| Transportation | 98,328 | 23,905 | | 122,233 |
| General Government | 140,986 | 3,234 | | 144,220 |
| Debt Service: | | | | |
| Principal Payments | | 3,396 | | 3,396 |
| Interest Payments | | 193 | | 193 |
| Capital Outlay | | 11,820 | | 11,820 |
| Total Cash Disbursements | <u>432,651</u> | <u>197,374</u> | <u>520</u> | <u>630,545</u> |
| Total Receipts Over/(Under) Disbursements | <u>(17,567)</u> | <u>23,058</u> | <u>(479)</u> | <u>5,012</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Transfers-In | | 19,187 | | 19,187 |
| Transfers-Out | (20,397) | 0 | 0 | (20,397) |
| Total Other Financing Receipts/(Disbursements) | <u>(20,397)</u> | <u>19,187</u> | <u>0</u> | <u>(1,210)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(37,964)</u> | <u>42,245</u> | <u>(479)</u> | <u>3,802</u> |
| Fund Cash Balances, January 1 | <u>71,872</u> | <u>15,163</u> | <u>4,930</u> | <u>91,965</u> |
| Fund Cash Balances, December 31 | <u><u>\$33,908</u></u> | <u><u>\$57,408</u></u> | <u><u>\$4,451</u></u> | <u><u>\$95,767</u></u> |
| Reserves for Encumbrances, December 31 | <u><u>\$12,099</u></u> | <u><u>\$2,505</u></u> | <u><u>\$0</u></u> | <u><u>\$14,604</u></u> |

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

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$571,238 | \$0 | \$571,238 |
| Miscellaneous | 209 | | 209 |
| | <u>571,447</u> | <u>0</u> | <u>571,447</u> |
| Total Operating Cash Receipts | | | |
| Operating Cash Disbursements: | | | |
| Personal Services | 167,756 | | 167,756 |
| Fringe Benefits | 57,585 | | 57,585 |
| Contractual Services | 160,237 | | 160,237 |
| Supplies and Materials | 49,498 | | 49,498 |
| Other | 4,533 | | 4,533 |
| Capital Outlay | 104,167 | | 104,167 |
| | <u>543,776</u> | <u>0</u> | <u>543,776</u> |
| Total Operating Cash Disbursements | | | |
| Operating Income | <u>27,671</u> | <u>0</u> | <u>27,671</u> |
| Non-Operating Cash Receipts: | | | |
| OWDA Loan Proceeds | 95,006 | | 95,006 |
| Other Non-Operating Receipts | 426 | 65,397 | 65,823 |
| | <u>95,432</u> | <u>65,397</u> | <u>160,829</u> |
| Total Non-Operating Cash Receipts | | | |
| Non-Operating Cash Disbursements: | | | |
| Debt Service - Principal | 42,757 | | 42,757 |
| Debt Service - Interest | 58,946 | | 58,946 |
| Other Non-Operating Cash Disbursements | | 64,700 | 64,700 |
| | <u>101,703</u> | <u>64,700</u> | <u>166,403</u> |
| Total Non-Operating Cash Disbursements | | | |
| Excess of Receipts Over Disbursements Before Interfund Transfers | 21,400 | 697 | 22,097 |
| Transfers-In | 140,961 | | 140,961 |
| Transfers-Out | <u>(139,751)</u> | | <u>(139,751)</u> |
| Net Receipts Over Disbursements | 22,610 | 697 | 23,307 |
| Fund Cash Balances, January 1 | <u>359,048</u> | <u>3,642</u> | <u>362,690</u> |
| Fund Cash Balances, December 31 | <u>\$381,658</u> | <u>\$4,339</u> | <u>\$385,997</u> |
| Reserve for Encumbrances, December 31 | <u>\$146,841</u> | <u>\$0</u> | <u>\$146,841</u> |

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

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 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> | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$33,706 | \$83,828 | | | \$117,534 |
| Municipal Income Tax | 137,635 | | | | 137,635 |
| Intergovernmental Receipts | 165,419 | 51,271 | \$82,618 | | 299,308 |
| Charges for Services | 600 | | | | 600 |
| Fines, Licenses, and Permits | 53,792 | 4,574 | | | 58,366 |
| Earnings on Investments | 7,177 | 76 | | \$68 | 7,321 |
| Miscellaneous | 25,513 | | | | 25,513 |
| Total Cash Receipts | <u>423,842</u> | <u>139,749</u> | <u>82,618</u> | <u>68</u> | <u>646,277</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 178,782 | 76,429 | | | 255,211 |
| Public Health Services | 6,684 | | | | 6,684 |
| Leisure Time Activities | 6,687 | | | | 6,687 |
| Community Environment | | | | 521 | 521 |
| Transportation | 61,730 | 31,585 | | | 93,315 |
| General Government | 136,913 | 9,787 | | | 146,700 |
| Debt Service: | | | | | |
| Principal Payments | 287 | 3,440 | | | 3,727 |
| Interest Payments | 40 | 475 | | | 515 |
| Capital Outlay | | | 82,618 | | 82,618 |
| Total Cash Disbursements | <u>391,123</u> | <u>121,716</u> | <u>82,618</u> | <u>521</u> | <u>595,978</u> |
| Total Receipts Over/(Under) Disbursements | <u>32,719</u> | <u>18,033</u> | <u>0</u> | <u>(453)</u> | <u>50,299</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Advances-In | 500 | 500 | | | 1,000 |
| Transfers-Out | (1,484) | | | | (1,484) |
| Advances-Out | (500) | (500) | | | (1,000) |
| Total Other Financing Receipts/(Disbursements) | <u>(1,484)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(1,484)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>31,235</u> | <u>18,033</u> | <u>0</u> | <u>(453)</u> | <u>48,815</u> |
| Fund Cash Balances, January 1 | <u>40,637</u> | <u>(2,870)</u> | | <u>5,383</u> | <u>43,150</u> |
| Fund Cash Balances, December 31 | <u>\$71,872</u> | <u>\$15,163</u> | <u>\$0</u> | <u>\$4,930</u> | <u>\$91,965</u> |
| Reserves for Encumbrances, December 31 | <u>\$14,325</u> | <u>\$2,721</u> | <u>\$0</u> | <u>\$25</u> | <u>\$17,071</u> |

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

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND 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> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$584,184 | \$0 | \$584,184 |
| Miscellaneous | 36,561 | | 36,561 |
| Total Operating Cash Receipts | <u>620,745</u> | <u>0</u> | <u>620,745</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 156,006 | | 156,006 |
| Fringe Benefits | 52,172 | | 52,172 |
| Contractual Services | 131,979 | | 131,979 |
| Supplies and Materials | 146,705 | | 146,705 |
| Other | 4,810 | | 4,810 |
| Capital Outlay | 23,770 | | 23,770 |
| Total Operating Cash Disbursements | <u>515,442</u> | <u>0</u> | <u>515,442</u> |
| Operating Income | <u>105,303</u> | <u>0</u> | <u>105,303</u> |
| Non-Operating Cash Receipts: | | | |
| OWDA Loan Proceeds | 20,006 | | 20,006 |
| Other Non-Operating Receipts | | 68,800 | 68,800 |
| Total Non-Operating Cash Receipts | <u>20,006</u> | <u>68,800</u> | <u>88,806</u> |
| Non-Operating Cash Disbursements: | | | |
| Debt Service - Principal | 20,926 | | 20,926 |
| Debt Service - Interest | 31,185 | | 31,185 |
| Other Non-Operating Cash Disbursements | 100 | 69,261 | 69,361 |
| Total Non-Operating Cash Disbursements | <u>52,211</u> | <u>69,261</u> | <u>121,472</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers | 73,098 | (461) | 72,637 |
| Transfers-In | 97,484 | | 97,484 |
| Transfers-Out | (96,000) | | (96,000) |
| Net Receipts Over/(Under) Disbursements | 74,582 | (461) | 74,121 |
| Fund Cash Balances, January 1 | <u>284,466</u> | <u>4,103</u> | <u>288,569</u> |
| Fund Cash Balances, December 31 | <u>\$359,048</u> | <u>\$3,642</u> | <u>\$362,690</u> |
| Reserve for Encumbrances, December 31 | <u>\$69,551</u> | <u>\$0</u> | <u>\$69,551</u> |

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

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Miami, Butler County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water, sewer, and trash utilities, recreation, street maintenance, and police services.

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

B. Basis of Accounting

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

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

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

Street Fund – This fund receives tax revenue which is used to maintain Village streets.

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

Fire Levy Fund - This fund receives tax revenue to operate the Village fire department.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police Levy Fund - This fund receives tax revenue to operate the Village police department.

COPS Fast Grant Fund – This fund receives grant monies to provide police protection services.

3. Capital Project Fund

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

Community Development Block Grant Fund - This fund received Community Development Block Grant money from Butler County which was used for water and sewer improvements.

This Capital Project Fund was not included on the Village's accounting records but is included in the Capital Projects fund type in the audit report financial statements.

4. Enterprise Funds

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

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

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

5. Fiduciary Funds (Trust and Agency Funds)

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

Relief to the Poor Fund (Expendable Trust) – This fund was established to provide help to families in need of assistance. Interest income is the source of revenue for this fund.

Mayor's Court Fund (Agency Fund) – This fund is used to account for the collection and distribution of Mayor's Court fines and forfeitures. Mayor's Court was abolished effective August 7, 2003.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

| | 2003 | 2002 |
|-------------------------|-----------|-----------|
| Demand deposits | \$374,318 | \$348,949 |
| Certificates of deposit | 107,446 | 105,706 |
| Total deposits | \$481,764 | \$454,655 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------|
| General | \$480,373 | \$415,545 | (\$64,828) |
| Special Revenue | 187,367 | 239,158 | 51,791 |
| Enterprise | 678,465 | 807,840 | 129,375 |
| Expendable Trust | 25 | 41 | 16 |
| Total | \$1,346,230 | \$1,462,584 | \$116,354 |

2003 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|----------|
| General | \$515,197 | \$465,147 | \$50,050 |
| Special Revenue | 151,324 | 199,879 | (48,555) |
| Enterprise | 977,204 | 932,071 | 45,133 |
| Expendable Trust | 5,115 | 520 | 4,595 |
| Total | \$1,648,840 | \$1,597,617 | \$51,223 |

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$479,974 | \$424,348 | (\$55,626) |
| Special Revenue | 88,314 | 139,243 | 50,929 |
| Capital Projects | | 82,618 | 82,618 |
| Enterprise | 682,997 | 738,235 | 55,238 |
| Expendable Trust | 124 | 68 | (56) |
| Total | \$1,251,409 | \$1,384,512 | \$133,103 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$527,182 | \$406,932 | \$120,250 |
| Special Revenue | 101,551 | 124,437 | (22,886) |
| Capital Projects | | 82,618 | (82,618) |
| Enterprise | 956,354 | 733,204 | 223,150 |
| Expendable Trust | 5,514 | 546 | 4,968 |
| Total | \$1,590,601 | \$1,347,737 | \$242,864 |

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

Contrary to Ohio law, appropriations exceeded estimated resources for the following funds in 2003: Motor Vehicle License, Police, Sewer, Trash, and Relief to the Poor.

Contrary to Ohio law, estimated receipts exceeded actual receipts and disbursements plus outstanding encumbrances exceeded beginning unencumbered fund balance plus actual receipts for the following funds in 2003: General, Furtherance of Justice, and Water.

Contrary to Ohio law, expenditures plus outstanding encumbrances exceeded appropriations for the COPS Fund in 2002; and the COPS, Furtherance of Justice, and Water Funds in 2003.

4. PROPERTY TAX

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

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

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

4. PROPERTY TAX (Continued)

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

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

5. LOCAL INCOME TAX

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

6. DEBT

Debt outstanding at December 31, 2003, was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|--------------------|----------------------|
| OWDA 1988 Pure Water Loan (1783) | 726,047 | 7.59% |
| OWDA 1988 Pure Water Catch-up Loan (1784) | 11,033 | 7.59% |
| OWDA 1999 Wastewater System Feasibility Loan (2817) | 11,750 | 0.00% |
| OWDA 1999 Wastewater System Engineering Loan (2164) | 435,547 | 5.56% |
| OWDA 2003 Waterline Extension Loan (3909) | 75,000 | 4.28% |
| First Financial Bank 2001 Backhoe Loan | 1,933 | 7.42% |
| Ford Motor Credit F-350 Truck Lease | 547 | 8.00% |
| Ford Motor Credit 2003 Chevy Impala Lease | 15,906 | 6.35% |
| Kansas State Bank 2002 Portable Radio Lease | 1,381 | 10.00% |
| GMAC 2002 GMC Sonoma Pick-up Truck Lease | 9,207 | 6.40% |
| GMAC 2003 Chevy Impala Lease | 12,343 | 6.55% |
| Public Finance 2003 Fire Truck Lease | 164,645 | 4.49% |
| Total | <u>\$1,465,339</u> | |

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

The OWDA 1999 Wastewater System Feasibility loan relates to a study performed by an engineering firm for a new wastewater treatment plant. The total amount of the loan issued was \$23,500. The loan was being repaid in annual installments of \$2,350. The last payment was due December 31, 2007. The Village had agreed to set utility rates sufficient to cover OWDA debt service requirements. Per an agreement with Butler County dated February 26, 2004, New Miami surrendered operation of its sewer collection system and sewer treatment plant to Butler County on November 5, 2004 (see Note 11). Butler County will pay the OWDA \$11,750 for the Village's outstanding loan balance.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

6. DEBT (Continued)

The OWDA 1999 Wastewater System Engineering loan of \$435,547 (which includes capitalized interest) relates to engineering services for the anticipated installation of a new wastewater treatment plant mandated by the Ohio Environmental Protection Agency. Repayment of this loan is due when the project enters the construction phase, but in no case later than January 1, 2005. Per an agreement with Butler County dated February 26, 2004, New Miami surrendered operation of its sewer collection system and sewer treatment plant to Butler County on November 5, 2004 (see Note 11). Butler County will reimburse the Village or pay in place of the Village the OWDA wastewater system engineering loan.

The OWDA 2003 Waterline Extension Loan relates to a waterline improvement project. The total amount of the loan issued was \$75,000. The loan is being repaid in annual installments of \$6,827, including interest, over 15 years. The last payment is due July 1, 2018. The OWDA loan is collateralized by water customer connection and disconnection fees.

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

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

The Ford Motor Credit 2003 Chevy Impala lease/purchase agreement relates to a lease entered into August of 2003. The purchase price of the Police Department 2003 Chevy Impala was \$18,033. The lease/purchase agreement is being repaid in monthly installments of \$558 with the last payment due July 26, 2006. Ownership of the Impala transfers to the Village at the conclusion of the lease. The Impala serves as collateral.

The Kansas State Bank Portable Radio lease/purchase agreement relates to a lease entered into August of 2002. The original amount of the lease was \$5,075. The lease/purchase agreement is being repaid in monthly installments of \$240 with the last payment due July 1, 2004. Ownership of the radios transfers to the Village at the conclusion of the lease. The radios serve as collateral.

The GMAC 2002 GMC Sonoma Pick-up Truck lease/purchase agreement relates to a lease entered into June of 2002. The purchase price of the pick-up truck was \$17,668. The lease/purchase agreement is being repaid in monthly installments of \$538 with the last payment due in May 2005. Ownership of the pick-up truck transfers to the Village at the conclusion of the lease. The pick-up truck serves as collateral.

The GMAC 2003 Chevy Impala lease/purchase agreement relates to a lease entered into January of 2003. The purchase price of the Police Department 2003 Chevy Impala was \$18,033. The lease/purchase agreement is being repaid in monthly installments of \$550 with the last payment due December 23, 2005. Ownership of the Impala transfers to the Village at the conclusion of the lease. The Impala serves as collateral.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

6. DEBT (Continued)

The Public Finance 2003 Fire Truck lease/purchase agreement relates to a lease entered into September of 2003. The purchase price of the fire truck was \$164,645. The lease/purchase agreement will be repaid in semi-annual installments of \$10,309, including interest, with the last payment due August 27, 2013. The first payment was due February 27, 2004. Ownership of the fire truck transfers to the Village at the conclusion of the lease. The fire truck serves as collateral.

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

| Year ending December 31: | OWDA 1988 Pure Water Loan (1783) | OWDA 1988 Pure Water Catch-up Loan (1784) | OWDA 1999 Wastewater System Feasibility Loan (2817) | OWDA 1999 Wastewater System Engineering Loan (2164) |
|--------------------------|--|--|---|---|
| 2004 | \$94,306 | \$1,434 | \$2,350 | |
| 2005 | 94,306 | 1,434 | 2,350 | \$435,547* |
| 2006 | 94,306 | 1,434 | 2,350 | |
| 2007 | 94,306 | 1,434 | 2,350 | |
| 2008 | 94,306 | 1,434 | 2,350 | |
| 2009-2013 | 471,531 | 7,169 | | |
| 2014-2018 | 188,612 | 2,868 | | |
| Total | <u>\$1,131,673</u> | <u>\$17,207</u> | <u>\$11,750</u> | <u>\$0</u> |

* Assumed by Butler County on November 5, 2004

| Year ending December 31: | OWDA 2003 Waterline Extension Loan (3909) | First Financial Bank Backhoe Loan | Ford Motor Credit F-350 Truck Lease | Ford Motor Credit 2003 Chevy Impala Lease |
|--------------------------|--|---|---|--|
| 2004 | \$3,414 | \$1,953 | \$551 | \$6,692 |
| 2005 | 6,827 | | | 6,692 |
| 2006 | 6,827 | | | 3,904 |
| 2007 | 6,827 | | | |
| 2008 | 6,827 | | | |
| 2009-2013 | 34,135 | | | |
| 2014-2018 | 34,135 | | | |
| Total | <u>\$98,992</u> | <u>\$1,953</u> | <u>\$551</u> | <u>\$17,288</u> |

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

6. DEBT (Continued)

| | Kansas State Bank Portable Radio Lease | GMAC 2002 GMC Sonoma Pick- up Truck Lease | GMAC 2003 Chevy Impala Lease | Public Finance 2003 Fire Truck Lease |
|--------------------------|---|---|------------------------------------|--|
| Year ending December 31: | | | | |
| 2004 | \$1,443 | \$6,992 | \$6,601 | \$20,617 |
| 2005 | | 2,689 | 6,601 | 20,617 |
| 2006 | | | | 20,617 |
| 2007 | | | | 20,617 |
| 2008 | | | | 20,617 |
| 2009-2013 | | | | 103,088 |
| Total | \$1,443 | \$9,681 | \$13,202 | \$206,173 |

The Village recorded lease payments as capital outlay.

7. 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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Village 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

8. RISK MANAGEMENT (Continued)

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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, 2003 and 2002:

| <u>Casualty Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$25,288,098 | \$20,174,977 |
| Liabilities | (12,872,985) | (8,550,749) |
| Retained earnings | <u>\$12,415,113</u> | <u>\$11,624,228</u> |

| <u>Property Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$3,158,813 | \$2,565,408 |
| Liabilities | (792,061) | (655,318) |
| Retained earnings | <u>\$2,366,752</u> | <u>\$1,910,090</u> |

9. CONTINGENT LIABILITIES

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

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

10. COMPLIANCE

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

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

The Village has not maintained all records as required by Ohio Rev. Code, Section 149.351.

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

The Village did not adopt permanent appropriations for 2003 as required by Ohio Rev. Code, Section 5705.38.

The Village made appropriation amendments during the audit period that were not approved by Council or the County Auditor as required by Ohio Rev. Code, Section 5705.40.

The Village had negative January 1, 2002, fund balances for the Cops Fast, Police, and OWDA Debt Funds, contrary to Ohio Rev. Code, Section 5705.10.

The Village did not follow proper bidding procedures as required by Ohio Rev. Code, Section 125.04(C).

11. SUBSEQUENT EVENTS

The Village surrendered operation of its sewer collection system and its sewer treatment plant in "as is" condition to Butler County on November 5, 2004, when the existing Ohio Environmental Protection Agency permits for the treatment plant expires. Once placed in control of the Village's sewer treatment plant and collection system, the County assumes the risk of operation of those assets as well as their maintenance. Butler County assumed the Village's outstanding OWDA 1999 Wastewater System loans on November 5, 2004 (see Note 6).

The Village entered into a lease purchase agreement for a 2004 Chevrolet Impala police sedan on June 4, 2004, for \$18,988. The Village will make an initial payment of \$3,000 and then make monthly payments of \$507 for 36 months.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of New Miami, Butler County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated January 19, 2005, wherein we noted that the Village's financial transactions were processed using 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 19, 2005.

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 for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-003 through 2003-012.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2003-003, 2003-009, and 2003-010 listed above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management on the Village in a separate letter dated January 19, 2005.

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

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

Betty Montgomery
Auditor of State

January 19, 2005

**VILLAGE OF NEW MIAMI
BUTLER COUNTY**

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

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

FINDING NUMBER 2003-001

Finding for Recovery

For the period of October 21, 2003, through December 31, 2003, the Village paid Juanita Lindy \$5,301 for services provided to the Village. However, per the information provided on her time cards Juanita Lindy should only have been compensated for \$4,831. She was paid for more hours than indicated on her time cards. The Village overpaid Juanita Lindy by \$470.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Juanita Lindy in the amount of \$470 and in favor of the Village of New Miami.

FINDING NUMBER 2003-002

Finding for Recovery

For the pay period December 29, 2002, through January 11, 2003, the Village paid Michael Broughton for 68.78 hours of employment. However, per his time card Michael Broughton should only have been compensated for 56.78 hours. The Village overpaid him by 12 hours, a total of \$132.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Michael Broughton, in the amount of \$132 and in favor of the Village of New Miami.

FINDING NUMBER 2003-003

Noncompliance/Material Weakness

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

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

- Numerous manually written checks were not posted to the Uniform Accounting Network (UAN) computerized accounting system. Manual checks that were entered in the UAN system were not in agreement with the check number posted to the system, and in some instances the amounts and vendors did not agree. Checks were used out of sequential order.
- Returned check fees were not always posted to the UAN system.
- Interest revenue was not always posted to the UAN system.
- Deposits were not always posted to the UAN system.

FINDING NUMBER 2003-003
(Continued)

- The Village had both a checking account and a savings account during the audit period. The savings account was used to accumulate funds for Ohio Water Development Authority (OWDA) debt service. The Village transferred \$4,000 twice a month from the checking account to the savings account for this debt service. When the debt payments were made, the amount of the payment was withdrawn from the savings account and deposited into the checking account, from which the payment was made. The Village recognized these bank transfers as revenue and expenditures.
- Loan payments made during 2002 were recorded as transportation expense in the General Fund, capital outlay in the Permissive Motor Vehicle Fund, contractual services in the Water Fund, supplies and materials in the Sewer Fund, and interest and fiscal charges in the OWDA Debt Fund. Loan payments made during 2003 were recorded as capital outlay in the Permissive Motor Vehicle Fund, contractual services, supplies and materials, and interest and other fiscal charges in the Water Fund, supplies and materials in the Sewer Fund, and interest and fiscal charges in the OWDA Debt Fund. Loan payments should be recorded as debt service principal and debt service interest.
- Lease payments made during 2002 were recorded as contractual services in the Water Fund. Lease payments made during 2003 were recorded as security of persons and property for the street vehicle in the General Fund, transportation for the police cruiser in the General Fund, basic utility service in the Fire Levy Fund, and contractual services in the Sewer Fund. Lease payments should be consistently recorded as either debt service or capital outlay expenditures.
- The Village recorded a debt service expenditure of \$47,870 in 2002 that was not supported by an actual debt payment.
- The Village recorded a lease payment for a police cruiser in the Fire Fund rather than the General Fund for 2003 (\$408).
- The Village did not record an OWDA on-behalf payment of \$65,700 in 2003 as loan proceeds.
- The Village recorded OWDA debt proceeds of \$9,300 as Miscellaneous Non-operating Revenue rather than Debt Proceeds in the Water Fund for 2003.
- The Village did not record an OWDA debt payment of \$47,870 for 2003.
- The Village did not record the activity from an off-the-books police department bank account. The police department provided AOS with bank statements and supporting documentation for activity that ran through the account.
- The Village did not record the activity from an off-the-books fire department bank account. The fire department failed to provide AOS with any supporting documentation for this account.

**FINDING NUMBER 2003-003
(Continued)**

Numerous audit adjustments were made to the financial statements. 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 Ohio Admin. Code, Section 117-9-01 and the Village Officers Handbook as guidance.

FINDING NUMBER 2003-004

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations. As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Village of New Miami recording the appropriations, Ohio Rev. Code, Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Community Development Block Grant monies disbursed on behalf of the Village, nor was the grant money included in the appropriations by the Village Council for fiscal year 2002. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$82,618 for the year ended December 31, 2002. We recommend the Village follow the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants.

FINDING NUMBER 2003-005

Noncompliance/Reportable Condition

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

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

**FINDING NUMBER 2003-005
(Continued)**

The following records could not be located:

- All Butler County and City of Hamilton tax settlement sheets for 2002 and 2003
- Four canceled checks from Mayor's Court
- Mayor's Court January 2002 bank statement and deposit slips
- Mayor's Court - only transaction receipts were provided for 2003 deposits rather than detailed deposit slips
- Mayor's Court docket sheets for January through March 2002
- One Mayor's Court ticket
- Supporting documentation for the March 2003 Mayor's Court disbursement to the Village (received in April 2003)
- Two Mayor's Court disbursements to the Bureau of Motor Vehicles (BMV) and two disbursements to the state could not be traced to a supporting report for 2002
- Four Mayor's Court disbursements to the BMV and one disbursement to the state could not be traced to supporting documentation for 2003
- The payroll ordinance stipulating the pay rates for police officers
- The Village's December 31, 2003, pooled collateral statement from First Financial Bank
- Invoices for 14 expenditures
- Purchase orders for January 2002 to August 2002
- Bidding documentation for the fire truck purchased in 2003; the purchase contract had to be obtained from the manufacturer.

The Village disposed of records without the authorization of the Village's records commission, the Auditor of State, and the Ohio Historical Society. We recommend that the Village maintain all records as required by law.

FINDING NUMBER 2003-006

Noncompliance/Reportable Condition

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

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

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

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (\$3,000 effective 4/7/03), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for 27% of expenditures tested, nor were the above exceptions used. We couldn't determine if 23% of additional expenditures were properly certified because expenditures were not supported by original documents (no invoices).

Failure to properly certify funds can result in overspending funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Village properly certify funds by obtaining approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2003-007

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.34, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and to certify the levies to the County Auditor before October 1. The 2002 and 2003 tax rate resolutions were not filed with the County Auditor. The resolutions on file with the County Auditor were blank. We recommend that Council pass the necessary resolutions and certify same to the County Auditor as required.

Ohio Rev. Code, Section 5705.39, requires that the total appropriation from each fund should not exceed the total estimated revenue.

Appropriations exceeded estimated resources for the following funds in 2003:

| Fund | Appropriations | Estimated Resources | Variance |
|-----------------------|-----------------------|----------------------------|-----------------|
| Motor Vehicle License | \$9,301 | \$8,933 | \$368 |
| Police | 122,174 | 87,895 | 34,279 |
| Sewer | 190,948 | 187,251 | 3,697 |
| Trash | 156,207 | 155,795 | 412 |
| Relief to the Poor | 5,090 | 4,930 | 160 |

Failure to limit appropriations to the amount of estimated resources could result in overspending of funds and negative fund balances. We recommend that the Village implement procedures to monitor appropriations and estimated resources. Amendments should be approved and made as necessary.

**FINDING NUMBER 2003-007
 (Continued)**

Ohio Rev. Code, Section 5705.40, requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The Village made appropriation amendments during the audit period that were not approved by council or the county auditor. Failure to properly approve appropriation amendments may result in lack or oversight by council and the county auditor. We recommend that all appropriation amendments be approved by both the Village council and the county auditor.

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

In 2003 estimated receipts exceeded actual receipts and disbursements plus outstanding encumbrances exceeded beginning unencumbered fund balance plus actual receipts for the following funds:

| Fund | Disbursements + Outstanding Encumbrances | Beginning Unencumbered Fund Balance + Actual Receipts | Variance |
|------------------------|---|--|-----------------|
| General | \$498,102 | \$475,723 | \$22,379 |
| Furtherance of Justice | 2,106 | 1,338 | 768 |
| Water | 551,303 | 461,264 | 90,039 |

(Note: the figures used in this table do not include audit adjustments)

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

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

| Fund | Expenditures + Outstanding Encumbrances | Appropriations | Variance |
|-------------------------------|--|-----------------------|-----------------|
| Cops (2002) | \$1,026 | \$41 | \$985 |
| Furtherance of Justice (2003) | 2,106 | 72 | 2,034 |
| Cops (2003) | 72,359 | 1,068 | 71,291 |
| Water (2003) | 551,303 | 500,962 | 50,341 |

(Note: the figures used in this table do not include audit adjustments)

Failure to properly monitor appropriations and amend appropriations could result in the illegal expenditure of monies and possible deficit fund balances. The Clerk should deny payment requests which exceed appropriations. The Clerk may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

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

The following funds had negative fund balances at January 1, 2002, due to AOS fund balance adjustments: Cops Fast (\$19,146), Police (\$922), and OWDA Debt Service (\$3,851).

**FINDING NUMBER 2003-007
(Continued)**

Estimated Receipts/Appropriations:

Estimated receipts and appropriations for 2002 and 2003 were inaccurately posted to the Village's UAN system. Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. The official certificates of estimated resources and appropriation resolutions, as well as any amendments, should be promptly and accurately posted to the Village's UAN system. Once posted, the estimated resources and appropriations on the UAN system should be compared to the official documents by the Clerk and the Finance Committee.

FINDING NUMBER 2003-008

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 731.14, requires contracts for material exceeding \$15,000 (\$25,000 effective September 26, 2003) to be subject to competitive bidding.

The Village entered into a lease-purchase agreement with Ford Motor Company on August 26, 2003 for a 2003 Chevrolet Impala costing \$18,333, a lease-purchase agreement with GMAC on June 11, 2002 for a 2002 GMC Sonoma Pickup Truck costing \$17,668, and a lease-purchase agreement with GMAC on January 23, 2003 for a 2003 Chevrolet Impala costing \$18,033. The Village did not use bidding procedures for these lease purchases

We recommend the Village follow proper bidding procedures as mandated by the Ohio Revised Code.

FINDING NUMBER 2003-009

Material Weakness

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

The following weaknesses were noted:

- Most of the prior audit findings had not been addressed or corrected.
- Unsupported fund balance adjustments were posted by the Clerk.
- The Village's accounts had not been reconciled accurately for the entire audit period and this was not detected by Council.
- The Clerk routinely posted revenues and expenditures to the wrong funds or accounts. Some revenues were deposited but not receipted on the books. These discrepancies were not detected by Council.
- On-behalf grants such as the Community Development Block Grant received from Butler County were not accounted for on the Village's books.
- The Clerk could not provide an ordinance book. Recently enacted ordinances were not published in a local paper as required by Ohio law.

**FINDING NUMBER 2003-009
(Continued)**

- There was no evidence that Council was receiving and approving monthly financial reports.
- None of the purchase orders issued during the audit period were signed by Council; the Clerk only signed purchase orders from February 7, 2003 to December 31, 2003.

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

The following procedures should be implemented:

- Council should receive monthly financial reports from the UAN system including, but not limited to: bank reconciliations (with supporting documentation such as bank statements, outstanding check lists, and deposits in transit), check registers, estimated versus actual receipts, and appropriations compared to actual expenditures. Council should receive these reports prior to the regular meetings so that members have an opportunity to review the information and ask informed questions. Council's approval of these reports should be documented in the minutes.
- Upon receiving audit reports, Council should take action to see that the findings are addressed and corrected.

FINDING NUMBER 2003-010

Material Weakness

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

- The December 31, 2002 reconciliation had an other adjusting factor of \$7,940 without support for the adjustment. The December 31, 2003 reconciliation had an other adjusting factor of \$99,800 without support for the adjustment.
- The Village had old outstanding checks included on their reconciliation from January 1998.
- The January through December 2002 bank reconciliations were not completed until December 31, 2002. The January through May 2003 bank reconciliations were not completed until December 1, 2003. The June through November 2003 bank reconciliations were not completed until December 23, 2003.
- All bank reconciliations had "Other Adjusting Factors". The detail on the reconciliation did not equal the amount used in the reconciliation. The largest "Other Adjusting Factor" without supporting documentation was for December 31, 2003 in the amount of \$99,800.
- Two Auditor of State monthly proof of cash documents had deposits in transit of \$4,000. The Village's reconciliations for these months had no deposit in transit.

**FINDING NUMBER 2003-010
(Continued)**

- The Village uses the Uniform Accounting System (UAN). UAN prints the monthly reconciliations and had 10 places for "Governing Board Signatures". None of the reconciliations were approved by the Clerk, Mayor, Village Council, or other Village Management.
- The Village outstanding check value did not equal the Auditor of State outstanding check value for the 24 months per the proof of cash. The largest variance was for August 2002. The Village reported outstanding checks of \$50,385. The Auditor of State determined that there were outstanding checks of \$40,769 for a difference of \$9,616.
- As a result of our proof of cash, the Village's fund balances as of December 31, 2003 were reduced by 4%.

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

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

FINDING NUMBER 2003-011

Reportable Condition

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

For example, we examined the gasoline credit card bill which covered the period of September 2003. Thirty-eight of the purchases had an exception codes for "Odometer Errors". The fleet monthly total indicated Village vehicles were getting 210 miles per gallon and the year to date total was 813 miles per gallon. While the credit card bill identifies vehicles by the PIN numbers, this would not prohibit a Village employee from refueling personal vehicles at Village expense. This bill was paid without these discrepancies being investigated.

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

FINDING NUMBER 2003-012

Reportable Condition

The Village did not remit their withholdings and contributions in a timely manner. They were assessed late charges. For 2002, the Village paid \$11,560 to Ohio Police and Fire for not timely completing pre-employment physicals. For 2003 the Village paid \$319 to PERS in late penalties and \$3,100 to Ohio Police and Fire in late penalties. The total late payments/penalties paid were \$14,979. Failure to remit retirement and tax contributions in a timely manner can result in penalties. We recommend that the Village remit retirement and tax contributions by the due date.

**VILLAGE OF NEW MIAMI
BUTLER 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; Explain: |
|----------------|--|------------------|--|
| 2001-001 | Finding for recovery | Yes | Repaid under audit. |
| 2001-002 | ORC 5705.09(F), failure to establish required funds | No | Partially corrected – reissued as Finding 2003-004 |
| 2001-002 | ORC 4511.99(A)(1), failure to establish an Enforcement and Education Fund | Yes | |
| 2001-003 | ORC 733.28, Recreation Committee account & activity not reflected on Village accounting records | Yes | |
| 2001-004 | ORC 149.351, failure to maintain accounting records | No | Not corrected – reissued as Finding 2003-005 |
| 2001-005 | ORC 2933.43(D)(1)(c)(ii), failure to properly establish Law Enforcement Trust Fund & file annual report with Attorney General's office | No | Partially corrected – reissued as management letter citation |
| 2001-006 | ORC 1907.261(B), failure to establish fund for Mayor's Court computerization fee | No | Partially corrected – reissued as management letter citation |
| 2001-007 | ORC 5705.41(D), failure to properly certify funds | No | Not corrected – reissued as Finding 2003-006 |
| 2001-008 | ORC 5705.41(B), expenditures exceeded appropriations | No | Not corrected – reissued as Finding 2003-007 |
| 2001-009 | ORC 733.28, failure to maintain accurate accounting records | No | Not corrected – reissued as Finding 2003-003 |
| 2001-010 | ORC 5705.36, estimated receipts exceeded actual receipts, and expenditures plus outstanding encumbrances exceeded actual receipts plus unencumbered fund balance | No | Not corrected – reissued as Finding 2003-007 |
| 2001-011 | ORC 135.351 & 5705.10, failure to properly post interest income | No | Partially corrected – reissued as management letter citation |
| 2001-012 | ORC 117.38, failure to publish for 2000 and 2001 annual reports | No | Partially corrected – reissued as management letter citation |

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

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|----------|---|----|--|
| 2001-013 | ORC 705.27 & 733.69, failure to maintain separate bond for village clerk | No | Partially corrected – reissued as management letter citation |
| 2001-014 | ORC 735.03, failure to bond members of the Board of Public Affairs | No | Not corrected – reissued as management letter citation |
| 2001-015 | ORC 125.04(C) & 731.14, failure to follow proper bidding procedures | No | Not corrected – reissued as Finding 2003-008 |
| 2001-016 | ORC 5705.34, failure to authorize the necessary tax levies for 2002 | No | Not corrected – reissued as Finding 2003-007 |
| 2001-017 | Failure to accurately complete bank reconciliations | No | Not corrected – reissued as Finding 2003-010 |
| 2001-018 | No policy for employee gasoline credit cards | No | Not corrected – reissued as Finding 2003-011 |
| 2001-019 | A material weakness regarding disbursement procedures | No | Partially corrected – reissued as Findings 2003-003 and 2003-005 |
| 2001-020 | A material weakness regarding accounting policies | No | Not corrected – reissued as Finding 2003-009 |
| 2001-021 | A material weakness regarding the Clerk/Treasurer’s performance of duties | No | Not corrected – reissued as Findings 2003-003, 2003-009 and 2003-010 |
| 2001-022 | Failure to properly post estimated resources and appropriations to the UAN system | No | Not corrected – reissued as Finding 2003-007 |



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VILLAGE OF NEW MIAMI

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 8, 2005**