VILLAGE OF NEW RICHMOND
CLERMONT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005-2004

Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW RICHMOND
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report	3
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005	5
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005	6
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	7
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	21
Schedule of Findings	23
Schedule of Prior Audit Findings	35

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Mary Taylor, CPA
Auditor of State

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

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 19, 2008

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of New Richmond, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial statements present receipts and disbursements by fund type totals only and do not present reserves for encumbrances. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify receipt and disbursement transactions, and Ohio Administrative Code, Section 117-2-02(C)(2) and (D)(3) requires the use of purchase orders and appropriation ledgers to assist in determining encumbrance amounts and unencumbered balances.

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.

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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 Villages 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.

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, 2006 and 2005 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, 2005 and 2004, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications and reserves for encumbrances, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of New Richmond, Clermont County, as of December 31, 2005 and 2004, and its combined cash unclassified receipts and unclassified disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2008, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 19, 2008

VILLAGE OF NEW RICHMOND
CLERMONT COUNTY

COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
Cash Receipts:						
Total Unclassified Cash Receipts	$551,037	$1,129,052	$0	$43,657	$5,169	$1,728,915
Cash Disbursements:						
Total Unclassified Cash Disbursements	558,625	1,154,734	0	124,318	0	1,837,677
Excess of Unclassified Cash Receipts (Under) Unclassified Cash Disbursements	(7,588)	(25,682)	0	(80,661)	5,169	(108,762)
Fund Cash Balances, January 1	2,805	272,388		274,398	5,169	554,760
Fund Cash Balances, December 31	**($4,783)**	**$246,706**	**$0**	**$193,737**	**$10,338**	**$445,998**

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

VILLAGE OF NEW RICHMOND
CLERMONT COUNTY

COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	**Agency**	**Totals (Memorandum Only)**
Cash Receipts:			
Total Unclassified Cash Receipts	$930,775	$89,842	$1,020,617
Cash Disbursements:			
Total Unclassified Cash Disbursements	1,015,342	89,104	1,104,446
Excess of Unclassified Cash Receipts Over/(Under) Unclassified Cash Disbursements	(84,567)	738	(83,829)
Fund Cash Balances, January 1	288,424	9,433	297,857
Fund Cash Balances, December 31	**$203,857**	**$10,171**	**$214,028**

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

VILLAGE OF NEW RICHMOND
CLERMONT COUNTY

COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types			Fiduciary Fund Type	
	General	Special Revenue	Capital Projects	Expendable Trust	Totals (Memorandum Only)
Cash Receipts:					
Total Unclassified Cash Receipts	$554,011	$1,154,511	$23,100	$5,169	$1,736,791
Cash Disbursements:					
Total Unclassified Cash Disbursements	560,082	1,077,802	48,859	9,000	1,686,743
Excess of Unclassified Cash Receipts Over/(Under) Unclassified Cash Disbursements	(6,071)	76,709	(25,759)	(3,831)	50,048
Fund Cash Balances, January 1	8,876	195,679	300,157	9,000	504,712
Fund Cash Balances, December 31	**$2,805**	**$272,388**	**$274,398**	**$5,169**	**$554,760**

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

VILLAGE OF NEW RICHMOND
CLERMONT COUNTY

COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY TYPES
AND FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	**Agency**	**Totals (Memorandum Only)**
Cash Receipts:			
Total Unclassified Cash Receipts	$738,768	$87,860	$826,628
Cash Disbursements:			
Total Unclassified Cash Disbursements	597,154	87,910	685,064
Excess of Unclassified Cash Receipts Over/(Under) Unclassified Cash Disbursements	141,614	(50)	141,564
Fund Cash Balances, January 1	146,810	9,483	156,293
Fund Cash Balances, December 31	**$288,424**	**$9,433**	**$297,857**

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Richmond, Clermont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police, fire and EMS services.

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

B. 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).

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

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

C. Cash Deposits and Investments

The Village's funds are pooled in checking and savings accounts with local commercial banks. The Village has a $500 United States Series H Savings Bond which the Village values at the face amount.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

1. Summary of Significant Accounting Policies (Continued)

Police Levy Fund - This fund receives real estate tax levy monies to fund police department operations.

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

3. Capital Project Funds

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

Life Squad Capital Improvement Fund – This fund receives monies from the Ambulance EMS fund to pay for debt related to ambulance EMS equipment.

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.

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

5. Fiduciary Funds (Trust and Agency Funds)

Fiduciary funds include expendable trust funds and agency funds. Expendable 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 had the following significant Fiduciary Fund:

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

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Cash Deposits and Investments

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

2. Equity in Pooled Cash Deposits and Investments (Continued)

	2005	2004
Demand deposits	$659,526	$852,117
Total deposits	$659,526	$852,117
Savings Bond		
Total investments	500	500
Total deposits and investments	$660,026	$852,617

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

At December 31, 2004, $658,399 of deposits were not insured or collateralized, contrary to Ohio law.

3. Budgetary Activity

Budgetary activity, except for the Agency fund, for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$569,263	$551,037	($18,226)
Special Revenue	1,130,979	1,129,052	(1,927)
Capital Projects	107,498	43,657	(63,841)
Enterprise	907,285	930,775	23,490
Fiduciary	5,169	5,169	0
Total	$2,720,194	$2,659,690	($60,504)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$554,253	$558,625	($4,372)
Special Revenue	1,117,715	1,154,734	(37,019)
Capital Projects	319,288	124,318	194,970
Enterprise	872,606	1,015,342	(142,736)
Fiduciary	10,599		10,599
Total	$2,874,461	$2,853,019	$21,442

3. Budgetary Activity (Continued)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$0	$554,011	$554,011
Special Revenue	0	1,154,511	1,154,511
Capital Projects	0	23,100	23,100
Enterprise	0	738,768	738,768
Fiduciary	0	5,169	5,169
Total	$0	$2,475,559	$2,475,559

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$619,034	$560,082	$58,952
Special Revenue	1,147,001	1,077,802	69,199
Capital Projects	708,785	48,859	659,926
Enterprise	862,129	597,154	264,975
Fiduciary	10,594	9,000	1,594
Total	$3,347,543	$2,292,897	$1,054,646

Contrary to Ohio law, appropriations exceeded estimated revenue in all funds for fiscal year 2004 due to the Village not filing an amended certificate of estimated resources with the County. The appropriations total for 2004 was $3,440,986.

Contrary to Ohio law, budgetary expenditures exceeded appropriations at fiscal year 2004 year-end in the following funds:

Fund	Variance
Special Revenue - Street Maintenance & Repair	$(19,322)
Special Revenue - State Highway	(1,190)
Special Revenue - Fire Levy	(32,877)
Special Revenue - Revolving Rehab/Home Repair	(42,000)
Special Revenue - Communications	(311)
Trust & Agency - Rickett Escrow	(500)
Trust & Agency - AT & T Escrow Acct.	(8,500)
Capital Projects - Sycamore	(2,516)

Contrary to Ohio law, budgetary expenditures exceeded appropriations at fiscal year 2005 year-end in the following funds:

3. Budgetary Activity (Continued)

Fund	**Variance**
General	$(4,372)
Special Revenue - Street Maintenance & Repair	(14,246)
Special Revenue - FEMA	(7,961)
Special Revenue - Cemetery	(4,795)
Special Revenue - Drug Law Enforcement	(1,792)
Special Revenue - Police Levy	(59,880)
Special Revenue - Fire Levy	(6,526)
Special Revenue - EMS Levy	(1,377)
Special Revenue - Revolving Rehab/Home Repair	(9,679)
Capital Projects - EMS Capital Improvements	(40,777)
Capital Projects - Union Square Park	(23,555)
Capital Projects - Sycamore	(7,549)
Enterprise - Water	(83,165)
Enterprise - Sewer Construction	(4,717)
Enterprise - Sewer Plant Debt	(88,128)
Internal Service - Utility Deposit	(7,031)

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, 2005 was as follows:

5. Debt (Continued)

	Principal	Interest Rate
Ohio Water Development Authority Loan - 1994	$1,608,413	2.20%
Bank Note - Fire Truck	176,202	4.00%
Bank Note - Salt Truck	88	5.00%
OPWC Loan - 2000	55,360	0.00%
OPWC Loan - 2001	212,247	0.00%
Bethel/New Richmond Road Sewer Extension	197,391	2.00%
OPWC Loan - 2002	134,789	0.00%
Water System Expansion	352,138	5.06%
Police Bond Anticipation Note - 2004	25,000	3.50%
Truck Loan - 2005	45,849	5.00%
Total	$2,807,477	

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

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

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

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

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

The Ohio Water Development Authority's (OWDA) Bethel/New Richmond Road Sewer Extension, account 3612, was for the purposes of engineering expenses related to the construction of wastewater collection line extension. The loan will be repaid in semi-annual payments of $4,749 January 1 and July 1 for 30 years. The final payment is due January 1, 2033.

The Ohio Pubic Works Commission (OPWC) 2002 loan relates to the Bethel-New Richmond Road sewer line extension phase II project. The loan will be repaid in semi-annual payments of $3,744 January 1 and July 1 of each year for 20 years. The final payment is due January 1, 2024.

The Ohio Water Development Authority (OWDA), Water System Plant Expansion, account 4168, was for the purposes of expenses related to the construction of the wastewater collection line extension. The loan will be repaid in semi-annual payments of $14,533, including interest, January 1 and July 1 of each year for 30 years. The final payment is due July 1, 2035.

5. Debt (Continued)

The Police Tax Anticipation notes were entered into December 29, 2004 for the purpose of financing the purchase of motor vehicles, computer equipment and other equipment used directly in the operation of a police department. The note matures December 29, 2005 at which time principal of $25,000 and all interest is due.

The dump truck bank note, for the purchase of truck, was issued May 26, 2005 and is secured by the truck. This note will be repaid over five years with five annual payments of $10,591 beginning May 26, 2006.

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

Year ending December 31:	Fire Truck Loan	Salt Truck Loan	Dump Truck Loan	Police Bond Anticipation Note
2006	$18,777	$88	$10,591	$25,873
2007	171,050		10,591	
2008			10,591	
2009			10,591	
2010			10,591	
Total	$189,827	$88	$52,955	$25,873

Year ending December 31:	OWDA Loan 1994	OWDA Bethel/NR Rd Sewer	OWDA Water System	OPWC Loan 2000
2006	$172,393	$4,749	$14,533	$2,516
2007	172,393	9,487	29,067	5,033
2008	172,393	9,487	29,067	5,033
2009	172,393	9,487	29,067	5,033
2010	172,393	9,487	29,067	5,033
2011 – 2015	861,965	47,435	145,333	25,163
2016 – 2020	172,393	47,435	145,333	7,549
2021 – 2025		47,435	145,333	
2026 – 2030		47,435	145,333	
2031 – 2035		23,743	145,333	
Total	$1,896,323	$256,180	$857,466	$55,360

5. Debt (Continued)

Year ending December 31:	OPWC Loan 2001	OPWC Loan 2002	Total
2006	$12,128	$3,744	$265,315
2007	12,128	7,488	417,237
2008	12,128	7,488	246,187
2009	12,128	7,488	246,187
2010	12,128	7,488	246,187
2011 – 2015	60,643	37,440	1,177,979
2016 – 2020	60,643	37,440	470,793
2021 – 2025	30,321	26,213	249,302
2026 - 2030			192,768
2031 - 2035			169,076
Total	$212,247	$134,789	$3,681,031

Noncompliance with Loan Covenant

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

The Village did not comply with this covenant. For 2004 and 2005, the Loan covenant required the Sewer System to have an operating income of $172,394; however, the Sewer System had an operating income of $166,516 and $139,107 for 2004 and 2005 respectively.

The possible effects of the Village's noncompliance with the loan covenants include acceleration of the payment of loan principal upon request of the Director of OWDA. As of the date of the audit opinion, the Director of OWDA had not requested acceleration of the payment of the principal.

6. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10% of their wages. For 2005 and 2004, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 19.5% of full-time firefighters wages. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries and the Village contributed an amount equaling 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

7. Risk Management

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

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

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 occurrence, including claim 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 $10,000,000 in the aggregate per year. Governments can elect additional coverage, from $2,000,000 to $12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to $100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding $100,000 up to $500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. APEEP reinsures members for specific losses exceeding $100,000 up to $250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between $100,000 and $250,000, Travelers will reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2005 was $1,682,589.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

7. Risk Management (Continued)

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, 2005 and 2004:

Casualty Coverage	2005	2004
Assets	$29,719,675	$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	$13,725,507	$13,557,131

Property Coverage	2005	2004
Assets	$4,443,332	$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	$3,375,087	$3,108,199

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately $14.3 million and $12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately $14.3 million and $12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately $75,180. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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	
2004	$36,589
2005	37,590

7. Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of 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 the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

8. Noncompliance

- The Village did not maintain complete and accurate financial records.
- The Village did not maintain certain records as required by Ohio law.
- The Village did not comply with Ohio Water Development Authority debt covenants.
- Negative fund balances occurred at December 31, 2005 and 2004 in the following funds:

Fund	Fund Balance at December 31, 2004
Special Revenue – Street Maintenance & Repair	(14,090)
Special Revenue - State Highway	(4,287)
Capital Projects - Hazard Mitigation – 1164 FEMA	(1,777)

Fund	Fund Balance at December 31, 2005
General	(4,785)
Special Revenue – Street Maintenance & Repair	(39,349)
Special Revenue - State Highway	(1,229)
Special Revenue - Police Levy	(86,943)
Capital Projects – Life Squad Capital Improvement	(51,479)
Capital Projects - Hazard Mitigation – 1164 FEMA	(1,777)
Enterprise – Sewer Debt	(60,520)

- The Village did not adopt a 2005 tax budget, and did not adopt a 2004 tax budget by the required date.
- The Village did not certify the 2005 tax levies.
- The Village did not obtain an amended certificate of estimated resources for 2004.
- Appropriations exceeded estimated resources for all funds in 2004.

Mary Taylor, CPA
Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of New Richmond, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 19, 2008, which was qualified since the Village did not classify receipts and disbursements or include reserves for encumbrances in its financial statements and followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Villages 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 2005-001 through 2005-003, and 2005-014.

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-001, 2005-002, and 2005-014 listed above to be material weaknesses**.** In a separate letter to the Village's management dated June 19, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001, and 2005-004 through 2005-014. In a separate letter to the Village's management dated June 19, 2008, we reported other matters related to noncompliance we deemed immaterial.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 19, 2008

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

In addition, **Ohio Administration Code, Section 117-2-02,** states in part that

(A) All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

(B) The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

   (1) Existence/occurrence: That recorded assets (and liabilities, if generally accepted accounting principles apply) Exist as of fiscal year end, recorded transactions have occurred and are not fictitious.

   (2) Completeness: That all account balances and transactions that should be included in the financial records are included.

   (3) Rights and obligations: That recorded assets are rights of the public office and recorded liabilities (if generally accepted accounting principles apply), are obligations of the public office at the fiscal year end.

   (4) Valuation/allocation: That generally accepted accounting measurement and recognition principles are properly selected and applied. This includes accounting measurement and recognition principles prescribed by the auditor of state for public offices that are not required to follow generally accepted accounting principles.

   (5) Presentation and disclosure: That financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

The following items were noted from review of the Village's financial records and bank statements:

- Bank reconciliations were not completed for the audit period. At December 31, 2004 and 2005, the Village's book balance was less than the bank balance by $1,104 and $920 respectively.

FINDING NUMBER 2005-001
(Continued)

- The Village had interest receipts for the savings accounts that were not posted to their accounting system during FY 2004 and 2005 totaling $5,264 and $4,809 respectively. These amounts were not posted to the accompanying financial statements. Additional interest posted during the audit period was incorrectly posted to the general fund rather than allocated to the Street Maintenance and Repair fund and the State Highway fund. These amounts were not posted to the accompanying financial statements.

- All budgetary documents were not properly reflected in the computer system. Incorrect estimated receipt and appropriation amounts in the system gives Council members an inaccurate view of budgeted financial activity, and increases the risk of overspending or making decisions based on inaccurate or incomplete information. All official budgetary documents should be reflected in the system and a review performed to verify the amounts in the system accurately reflect the supporting budgetary documentation.

- Proceeds from the debt and the related expenses were not recorded on the Village's books. Debt proceeds should be recorded properly on their accounting system.

The Village had the following posting errors which resulted in audit adjustments to the financial statements:

- In FY 2005, $2,598, $4,389 and $974, respectively, of FEMA grant revenue was recorded in the General, Street, Construction and Maintenance and State Highway funds instead of the FEMA fund;

- In FY 2004, $470 of tax revenue was recorded in the General fund instead of the EMS fund;

- In FY 2004, $1,114 of motor vehicle license tax revenue was recorded in the General fund instead of the State Highway fund;

- In FY 2004, $1,287 of permissive sales tax revenue was recorded in the General fund instead of the Permissive MVL fund;

As a result of these errors, the Village did not maintain complete and accurate books which resulted in compiling their financial records from the bank and payroll statements, therefore, the financial statements are presented on an unclassified basis. Furthermore, unclassified receipts for certain funds were incorrectly reported on the Annual Report.

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.

Failure to accurately prepare and reconcile the accounting records reduces the accountability over Village funds and reduces Council's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Village's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well, as ensure that all recorded transactions have been deposited with the financial institution.

FINDING NUMBER 2005-001
(Continued)

We recommend the Village Clerk accurately maintain the Village's accounting records using the Village Officers Handbook as guidance. Furthermore, we recommend that the Clerk perform a detailed reconciliation between the bank balance and the Village's general ledger balance monthly. The reconciled account balance (bank balance, less outstanding checks, plus deposits in transit) plus any investment balance should equal the total fund balance. Any variances should be immediately investigated and an explanation provided for any adjustments needed to be made each month to the accounting system. In addition, the Clerk should review checks which are outstanding for six or more months to determine the reason they have not been cashed and establish procedures to pay those stale dated checks into an unclaimed money fund. We further recommend that the Village Manager, a member of Council or all Council members review and sign off on the reconciliations thereby indicating approval and monitoring the timeliness of these bank reconciliations.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-002

Material Weakness

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

- Monthly bank reconciliations
- Monthly financial reports
- Monthly fund balances
- Monthly utility receipt reports
- Budget-to-actual statements
- Ticket book management – Mayor's Court

If no review or approval of the monthly reconciliations or reports is performed, incorrect amounts may not be detected and could result in negative fund balances. By having a system in place for review and approval, errors and discrepancies can be noted and corrected in a timely manner. An effective monitoring control system should be implemented to assist management in detecting material misstatements in financial information. This would include the Council reviewing and approving monthly financial reports, bank reconciliations, fund balances, and budget-to-actual data. Reviewing monthly reports allows Council to evaluate the budget and the efficiency of the departments. These reviews and approvals should be noted in the minutes of Council.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-003

Reportable Condition

Statement on Auditing Standards No. 70 (SAS 70) as amended by SAS No. 88, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 and SAS No. 88, should provide the Village with an appropriate level of assurance that the ambulance bills are being processed in conformance with the contract. However, it may be possible for the Village to obtain an appropriate level of assurance by other means.

The Village of New Richmond has delegated ambulance billing processing and collecting, which is a significant accounting function, to a third-party administrator (Healthserve/Med3000). The Village has not established procedures to reasonably determine that the billing service organization has sufficient controls in place and operating effectively to reduce the risk that ambulance billings have not been completely and accurately processed and collected in accordance with the ambulance billing contract. Furthermore, the Village has not established internal control procedures to reasonably determine that ambulance billings have been completely and accurately processed and collected in accordance with the ambulance billing contract.

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

We recommend that the Village of New Richmond implement procedures to reasonably assure the completeness, and accuracy of ambulance billing and collecting processed by their third-party administrator.

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

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-004

Noncompliance Citation

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

FINDING NUMBER 2005-004
(Continued)

In addition, **Ohio Rev. Code, Section 149.39,** provides in part, that when records have been approved for disposal by the records commission, a copy of such records list shall be sent to the Ohio Historical Society for its review. 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 considered to be of continuing historical value. The Ohio historical society shall review the application or schedule within a period of not more than sixty days after its receipt of it. Upon completion of its review, the Ohio historical society shall forward the application for one-time disposal of obsolete records or the schedule of records retention and disposition to the Auditor of State. The Auditor shall approve or disapprove the application or schedule within a period of not more than sixty days. Before public records are to be disposed of, the commission shall inform the Ohio historical society of the disposal through the submission of a certificate of records disposal and shall give the society the opportunity for a period of fifteen business days to select for its custody those public records that it considers to be of continuing historical value. The Village was unable to locate the original bank statements for the Park National Bank Savings Account and Riverhills Bank Savings and Payroll Accounts. However, we did obtain copies of the bank statements from the banks and confirmed via bank confirmations. The Village was unable to locate the IT-941 forms for reporting payroll withholdings for the first and second quarters.

- Park National Bank Savings Account for FY 2004 and 2005
- Riverhills Bank Savings Accunt for FY 2004 and 2005
- Park National Bank Utility Account for October, November and December 2005

We did obtain copies of the bank statements from the banks and confirmed via bank confirmations.

The Village was unable to locate the IT-941 form for reporting payroll for the following items:

- Second and third quarters for 2004
- First, third and fourth quarters for 2005

The Village was also unable to locate the utility upload reports for November 2005; alternative audit procedures were used to address this issue. The Village disposed of records without proper authorization of the Village's records commission, the Auditor of State of Ohio, and the Ohio Historical Society. We recommend the Village maintain all records as required by law.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-005

Noncompliance Citation

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

FINDING NUMBER 2005-005
(Continued)

The Village did not comply with this covenant. For 2004 and 2005, the Loan covenant required the Sewer System to have an operating income of $172,394; however, the Sewer System had an operating income of $166,516 and $139,107, respectively. The possible effects of the Village's noncompliance with the loan covenants include acceleration of the payment of loan principal upon request of the Director of OWDA. As of the date of the audit opinion, the Director had not requested acceleration of the payment of the principal. We recommend that the Village assess their rates and increase them if necessary to comply with the revenue requirement established in the debt covenant.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-006

Noncompliance Citation

Ohio Rev. Code, Section 135.18(A) and 135.181, require, in part, that the treasurer of a political subdivision, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code shall require the institution designed as a public depository, to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

The Village could not provide evidence of adequate security coverage for their deposits beyond FDIC coverage. The Village had deposits with Riverhills Bank and Park National Bank at December 31, 2004 which exceeded FDIC coverage by the amounts of $443,703 and $214,696 respectively. Furthermore, the Village did not have depository contracts with Park National Bank from January 1, 2004 to September 14, 2005 and Riverhills from January 1, 2004 to December 31, 2005. This practice could result in the loss of funds by the Village. We recommend that the Village contract with their depositories to provide adequate security for the funds they have on deposit with them and have depository contracts for all institutions used for depositing public monies.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-007

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.

FINDING NUMBER 2005-007
(Continued)

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 all expenditures tested, respectively, for 2005 and 2004 and none of the exceptions above applied. In addition, the Village was unable to provide documentation for the amounts that should have been reserved for encumbrances at December 31, 2005 and 2004. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

FINDING NUMBER 2005-007
(Continued)

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-008

Noncompliance Citation

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

Fund	Fund Balance at December 31, 2004
Special Revenue – Street Maintenance & Repair	$(14,090)
Special Revenue - State Highway	(4,287)
Capital Projects - Hazard Mitigation - 1164 FEMA	(1,777)

Fund	Fund Balance at December 31, 2005
General	$(4,785)
Special Revenue - Street Maintenance & Repair	(39,349)
Special Revenue - State Highway	(1,229)
Special Revenue - Police Levy	(86,943)
Capital Projects - Life Squad Capital Improvement	(51,479)
Capital Projects - Hazard Mitigation – 1164 FEMA	(1,777)
Enterprise – Sewer Debt	(60,520)

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

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-009

Noncompliance Citation

Ohio Rev. Code, Section 5705.28(A)(2), states that the taxing authority of any political subdivision shall adopt a tax budget by July 15 of the preceding year. In addition, **Ohio Rev. Code Section 5705.02** states that the aggregate amount of tax that may be levied in any one year may not exceed 10 mills. The Village did not adopt the 2004 tax budget until July 22, 2003, and did not adopt a tax budget for 2005. The Village did not adopt the tax budget for 2005 needed to determine the 10 mill limitation. We recommend that the Village adhere to the above statue to allow for compliance with this requirement and to assist the Village in budgeting yearly.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-010

Noncompliance Citation

Ohio Rev. Code, Section 5705.34, states in part that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner. The Village did not certify the tax levies for 2005. We recommend that the Village adhere to the above statue to allow for compliance with this requirement and to assist in determining that the required funds and their related amounts are budgeted and recorded properly.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-011

Noncompliance Citation

Ohio Rev. Code, Section 5705.36(A)(2), allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The Village did not obtain an amended certificate for 2004. We recommend that the Village adhere to the above statue to allow for compliance with this requirement which will assist in monitoring expenditures, appropriations and fund balances.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-012

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, states in part that the total appropriations from each fund should not exceed the total estimated revenue. Total appropriations exceeded estimated revenue in all funds for 2004 by $3,440,986 due to the Village not filing an amended certificate of estimated resources. We recommend that the Village adhere to the above statue to allow for compliance with this requirement which will assist them in not expended resources that are unavailable and incurring negative fund balances.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-013

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures that exceeded appropriations during fiscal year 2004 in the following funds:

Fund	Expenditures	Appropriations	Variance
Special Revenue - Street Maintenance & Repair	$105,832	$86,510	$(19,322)
Special Revenue - State Highway	11,890	10,700	(1,190)
Special Revenue - Fire Levy	168,472	135,595	(32,877)
Special Revenue - Revolving Rehab/Home Repair	150	42,150	(42,000)
Special Revenue – Communications	0	311	(311)
Trust & Agency - Rickett Escrow	0	500	(500)
Trust & Agency - AT & T Escrow Acct.	0	8,500	(8,500)
Capital Projects – Sycamore	0	2,516	(2,516)

Expenditures exceeded appropriations at fiscal year-end 2005 in the following funds:

Fund	Expenditures	Appropriations	Variance
General	$558,625	$554,253	$(4,372)
Special Revenue - Street Maintenance & Repair	100,582	86,336	(14,246)
Special Revenue – FEMA	7,961	0	(7,961)
Special Revenue – Cemetery	8,825	4,030	(4,795)
Special Revenue - Drug Law Enforcement	3,592	1,800	(1,792)
Special Revenue - Police Levy	508,850	448,970	(59,880)
Special Revenue - Fire Levy	98,168	91,642	(6,526)
Special Revenue - EMS Levy	409,787	408,410	(1,377)
Special Revenue - Revolving Rehab/Home Repair	9,679	0	(9,679)
Capital Projects - EMS Capital Improvements	57,427	16,650	(40,777)
Capital Projects - Union Square Park	23,555	0	(23,555)
Capital Projects – Sycamore	7,549	0	(7,549)
Enterprise – Water	390,037	306,872	(83,165)
Enterprise – Sewer Construction	4,717	0	(4,717)
Enterprise - Sewer Plant Debt	260,520	172,392	(88,128)
Internal Service - Utility Deposit	11,531	4,500	(7,031)

We recommend that the Village adhere to the above statue to allow for compliance with this requirement, monitor budgetary activity and obtain supplemental appropriations throughout the year to mitigate negative variances.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-014

Noncompliance Citation /Material Weakness

Ohio Administration Code, Section 117-2-02, states in part that;

(A) All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

(B) The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

(1) Existence/occurrence: That recorded assets (and liabilities, if generally accepted accounting principles apply) Exist as of fiscal year end, recorded transactions have occurred and are not fictitious.

(2) Completeness: That all account balances and transactions that should be included in the financial records are included.

(3) Rights and obligations: That recorded assets are rights of the public office and recorded liabilities (if generally accepted accounting principles apply), are obligations of the public office at the fiscal year end.

(4) Valuation/allocation: That generally accepted accounting measurement and recognition principles are properly selected and applied. This includes accounting measurement and recognition principles prescribed by the auditor of state for public offices that are not required to follow generally accepted accounting principles.

(5) Presentation and disclosure: That financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well, as ensure that all recorded transactions have been deposited with the financial institution. Although bank reconciliations for the Mayor's Court were prepared for the entire audit period, they were not reconciled and/or agreed to the receipts and disbursement reports. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Mayor's Court funds and reduces Council's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Mayor's Court financial statements will be misstated.

FINDING NUMBER 2005-014
(Continued)

We recommend that the Clerk perform a detailed reconciliation between the bank balance and the Mayor's Court ledger balance monthly. The reconciled account balance (bank balance, less outstanding checks and bonds on hand, plus deposits in transit) plus or minus bank charges should equal the total fund balance. Any variances should be immediately investigated and an explanation provided for any adjustments needed to be made each month to the accounting system. In addition, the Clerk should review checks which are outstanding for six or more months to determine the reason they have not been cashed and establish procedures to pay those stale dated checks into an unclaimed money fund. We further recommend that the Village Manager, Mayor, a member of Council or all Council members review and sign off on the reconciliations thereby indicating approval and monitoring the timeliness of these bank reconciliations.

Officials' Response:

We did not receive a response from Officials to this finding.

VILLAGE OF NEW RICHMOND
CLERMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2003-001	Village accounts unreconciled.	No	Reissued as finding 2005-001.
2003-002	Lack of financial monitoring.	No	Reissued as finding 2005-002.
2003-003	ORC Section 733.28, not accurately maintaining books.	No	Reissued as finding 2005-001.
2003-004	ORC Section 733.40, failure to maintain accountability of all money collected in the name of the office for Mayor's Court.	No	Partially corrected. Reissued as finding 2005-014.
2003-005	Lack of internal controls over EMS billing. No Tier II SAS 70 for Paycor and Med3000.	No	Reissued as finding 2005-003.
2003-006	Noncompliance with Debt Covenant.	No	Reissued as finding 2005-005.
2003-007	ORC Section 5705.10, negative fund balances	No	Reissued as finding 2005-008.
2003-008	ORC, Sections 5705.14, 5705.15, & 5705.16, illegal transfers	Yes	
2003-009	ORC Section 5705.36(A)(4), estimated receipts exceeding actual receipts and actual disbursements plus encumbrances exceeding available funds	No	The Village did not file an amended certificate of estimated resources; addressed in finding 2005-012.
2003-010	ORC Section 5705.39, appropriations exceeding estimated revenue	No	Reissued as finding 2005-012.
2003-011	ORC Section 5705.41(B). expenditures exceeding appropriations	No	Reissued as finding 2005-013.
2003-012	ORC Section 5705.41(D). Failure to properly certify the availability of funds.	No	Reissued as finding 2005-007.

VILLAGE OF NEW RICHMOND

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 15, 2008