



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW VIENNA
CLINTON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Vienna
Clinton County
97 West Main Street, P.O. Box 323
New Vienna, Oh. 45159

To the Village Council:

We were engaged to audit the accompanying financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management.

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.

The Village did not provide sufficient documentation supporting the Mayor's Court receipts in 2006 as recorded in the Agency Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the Agency Fund, or to satisfy ourselves regarding the completeness of the underlying transactions through other auditing procedures. Mayor's Court receipts represent 100% of receipts recorded in the Agency Fund during 2006.

The Village advanced \$51,933 from the Water Fund to the General Fund in 2004 in violation of Auditor of State Bulletin 1997-003 and Ohio Revised Code Sections 5705.09 (F) and 5705.10. The Village repaid the Water Fund from the General Fund in the amounts of \$21,688 in 2007 and \$15,908 in 2006, but an outstanding balance of \$14,337 remains at December 31, 2007.

The Village also advanced \$11,000 from the Street Fund to the Water Fund in 2007 in violation of Auditor of State Bulletin 1997-003 and Ohio Revised Code Sections 5705.09 (F) and 5705.10. During 2007, the Village repaid the Street Fund in the amount of \$5,500, but an outstanding balance of \$5,500 remains at December 31, 2007.

Had these amounts not been advanced, the effect would have been to increase the fund balance of the Water Fund by \$8,837 to \$13,732, to decrease the fund balance of the General Fund by \$14,337 to (\$18,879) and to increase the fund balance of the Street Fund by \$5,500 to \$36,813, as of and for the year ended December 31, 2007.

During 2006 and 2007, the Village Council approved paying forty percent of the police department's salary from the Street Fund, contrary to the Ohio Revised Code. Had the salaries been properly paid from the Police Fund, the effect would have been to increase the fund balance of the Street Fund by \$9,754 in 2006 and \$8,083 in 2007 and decrease the Police Fund by the same amounts.

The Village failed to establish and maintain the reserve funds required for the Water Revenue loan and the Sewer Revenue loan acquired through the Farmer's Home Administration (FmHA). Failure to establish the required reserve accounts could be construed as a default of the terms or covenants of the debt and could result in the debt holder declaring the entire principal amount then outstanding and accrued interest immediately due and payable.

Management has not provided the Auditor of State certain written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Village's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the Village's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants; recognition, measurement and disclosure of misstatements; fraud; unasserted claims; and undisclosed contingent liabilities.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits.

Since the Village did not provide the evidence described in paragraphs three to nine, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2009, 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.



Mary Taylor, CPA
Auditor of State

February 12, 2009

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$33,145	\$23,547	\$56,692
Intergovernmental	36,940	64,071	101,011
Fines, Licenses and Permits	125	11,500	11,625
Earnings on Investments	7,426		7,426
Miscellaneous	2,368	18	2,386
Total Cash Receipts	80,004	99,136	179,140
Cash Disbursements:			
Current:			
Security of Persons and Property	993	56,656	57,649
Basic Utility Service	5,108		5,108
Transportation		47,367	47,367
General Government	59,304	619	59,923
Debt Service:			
Redemption of Principal	1,604	1,604	3,208
Interest and Fiscal Charges	274	274	548
Total Cash Disbursements	67,283	106,520	173,803
Total Receipts Over/(Under) Disbursements	12,721	(7,384)	5,337
Other Financing Receipts / (Disbursements):			
Transfers-In		5,000	5,000
Transfers-Out	(10,832)		(10,832)
Advances-In		5,500	5,500
Advances-Out	(21,688)	(11,000)	(32,688)
Total Other Financing Receipts / (Disbursements)	(32,520)	(500)	(33,020)
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(19,799)	(7,884)	(27,683)
Fund Cash Balances, January 1	15,258	60,222	75,480
Fund Cash Balances, December 31	(\$4,541)	\$52,338	\$47,797
Reserve for Encumbrances, December 31	\$14,355	\$23,529	\$37,884

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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	\$445,187	\$0	\$445,187
Miscellaneous	2,278		2,278
Total Operating Cash Receipts	<u>447,465</u>	<u>0</u>	<u>447,465</u>
Operating Cash Disbursements:			
Personal Services	22,787		22,787
Employee Fringe Benefits	6,532		6,532
Contractual Services	183,262		183,262
Supplies and Materials	23,723		23,723
Other	5,848		5,848
Total Operating Cash Disbursements	<u>242,152</u>	<u>0</u>	<u>242,152</u>
Operating Income/(Loss)	<u>205,313</u>	<u>0</u>	<u>205,313</u>
Non-Operating Cash Receipts:			
Special Assessments	2,440		2,440
Other Debt Proceeds	69,802		69,802
Total Non-Operating Cash Receipts	<u>72,242</u>	<u>0</u>	<u>72,242</u>
Non-Operating Cash Disbursements:			
Capital Outlay	138,740		138,740
Redemption of Principal	73,777		73,777
Interest and Other Fiscal Charges	72,820		72,820
Other Non-Operating Cash Disbursements	4,000		4,000
Total Non-Operating Cash Disbursements	<u>289,337</u>	<u>0</u>	<u>289,337</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(11,782)	0	(11,782)
Transfers-In	147,932		147,932
Transfers-Out	(142,100)		(142,100)
Advances-In	32,688		32,688
Advances-Out	(5,500)		(5,500)
Net Receipts Over Disbursements	21,238	0	21,238
Fund Cash Balances, January 1	<u>245,744</u>	<u>2,719</u>	<u>248,463</u>
Fund Cash Balances, December 31	<u>\$266,982</u>	<u>\$2,719</u>	<u>\$269,701</u>
Reserve for Encumbrances, December 31	<u>\$20,888</u>	<u>\$0</u>	<u>\$20,888</u>

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$30,344	\$21,277	\$51,621
Intergovernmental	36,661	53,975	90,636
Special Assessments	15		15
Fines, Licenses and Permits	390	12,785	13,175
Earnings on Investments	2,312		2,312
Miscellaneous	479	626	1,105
	<u>70,201</u>	<u>88,663</u>	<u>158,864</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	700	59,921	60,621
Basic Utility Service	1,587		1,587
Transportation		31,135	31,135
General Government	49,774	582	50,356
Debt Service:			
Redemption of Principal	1,525	1,525	3,050
Interest and Fiscal Charges	353	353	706
	<u>53,939</u>	<u>93,516</u>	<u>147,455</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>16,262</u>	<u>(4,853)</u>	<u>11,409</u>
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	100		100
Advances-In		17,203	17,203
Advances-Out	<u>(15,908)</u>	<u>(17,203)</u>	<u>(33,111)</u>
Total Other Financing Receipts / (Disbursements)	<u>(15,808)</u>	<u>0</u>	<u>(15,808)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	454	(4,853)	(4,399)
Fund Cash Balances, January 1	<u>14,804</u>	<u>65,075</u>	<u>79,879</u>
Fund Cash Balances, December 31	<u>\$15,258</u>	<u>\$60,222</u>	<u>\$75,480</u>
Reserve for Encumbrances, December 31	<u>\$9,085</u>	<u>\$15,200</u>	<u>\$24,285</u>

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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	\$348,781	\$0	\$348,781
Miscellaneous	2,931		2,931
Total Operating Cash Receipts	<u>351,712</u>	<u>0</u>	<u>351,712</u>
Operating Cash Disbursements:			
Personal Services	26,542		26,542
Employee Fringe Benefits	6,752		6,752
Contractual Services	188,621		188,621
Supplies and Materials	30,796		30,796
Other	5,966		5,966
Total Operating Cash Disbursements	<u>258,677</u>	<u>0</u>	<u>258,677</u>
Operating Income	<u>93,035</u>	<u>0</u>	<u>93,035</u>
Non-Operating Cash Receipts:			
Intergovernmental	2,600		2,600
Special Assessments	400		400
Court Collections		560	560
Other Debt Proceeds	324,364		324,364
Extraordinary Item	163,900		163,900
Other Non-Operating Cash Receipts	641		641
Total Non-Operating Cash Receipts	<u>491,905</u>	<u>560</u>	<u>492,465</u>
Non-Operating Cash Disbursements:			
Capital Outlay	143,012		143,012
Redemption of Principal	255,174		255,174
Interest and Other Fiscal Charges	73,126		73,126
Other Non-Operating Cash Disbursements	1,334		1,334
Total Non-Operating Cash Disbursements	<u>472,646</u>	<u>0</u>	<u>472,646</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	112,294	560	112,854
Transfers-In	98,618		98,618
Transfers-Out	(98,618)		(98,618)
Advances-In	33,111		33,111
Advances-Out	(17,203)		(17,203)
Net Receipts Over Disbursements	128,202	560	128,762
Fund Cash Balances, January 1	<u>117,542</u>	<u>2,159</u>	<u>119,701</u>
Fund Cash Balances, December 31	<u>\$245,744</u>	<u>\$2,719</u>	<u>\$248,463</u>
Reserve for Encumbrances, December 31	<u>\$15,256</u>	<u>\$0</u>	<u>\$15,256</u>

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Vienna, Clinton County, 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, refuse collections and police services.

The Village participates in a jointly governed organizations and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Public Entities Pool of Ohio – provides the Village with liability and property insurance coverage.

Jointly Governed Organizations:

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

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

B. Accounting Basis

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

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

C. Cash and Deposits

The Village deposits available funds in an interest bearing checking account and certificates of deposit with the local commercial banks. The Village values certificates of deposit at cost.

D. Fund Accounting

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

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

3. Enterprise Funds

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

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

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

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

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

4. Fiduciary Fund (Agency Fund)

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 fiduciary fund:

Mayor's Court Fund – This fund accounts for fines collected by the Mayor's Court and distributed to the Village and other governmental agencies. The Mayor's discontinued operations in September 2004, however the Village continues to receive fines from past court cases.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Cash and Deposits

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$171,666	\$323,943
Certificates of deposit	145,832	-
Total deposits	<u>\$317,498</u>	<u>\$323,943</u>

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash and Deposits (Continued)

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$108,989	\$80,004	(\$28,985)
Special Revenue	143,259	104,136	(39,123)
Enterprise	1,145,419	667,639	(477,780)
Total	<u>\$1,397,667</u>	<u>\$851,779</u>	<u>(\$545,888)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$160,868	\$92,470	\$68,398
Special Revenue	183,276	130,049	53,227
Enterprise	1,126,069	694,477	431,592
Total	<u>\$1,470,213</u>	<u>\$916,996</u>	<u>\$553,217</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$108,385	\$70,301	(\$38,084)
Special Revenue	88,063	88,663	600
Enterprise	649,144	942,235	293,091
Total	<u>\$845,592</u>	<u>\$1,101,199</u>	<u>\$255,607</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,353	\$63,024	\$83,329
Special Revenue	143,205	108,716	34,489
Enterprise	750,474	845,197	(94,723)
Total	<u>\$1,040,032</u>	<u>\$1,016,937</u>	<u>\$23,095</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Policy Levy Fund, Water Debt Service Fund, Sewer Fund, Sewer Debt Fund (Huhtamaki), Sewer Debt Fund for the year ended December 31, 2006. At December 31, 2007, the General Fund had a cash deficit balance of \$4,541. The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments as required by Ohio Revised Code, Section 5705.41(D). Contrary to Ohio law, estimated receipts exceeded actual receipts in the various funds. Appropriations exceeded estimated resources in various funds.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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, 2007 was as follows:

	Principal	Interest Rate
OWDA Sewer Improvement Loan	\$141,147	2.00%
OWDA Water System Improvement Loan	185,715	5.14%
OWDA Sewer System Planning & Design Loan	382,366	3.92%
OWDA Sewer Construction Loan	185,877	5.74%
OPWC Water System Repair & Replacement Loan	80,198	0.00%
First Mortgage Water Revenue Loan	273,000	5.00%
First Mortgage Sewer Revenue Loan	484,000	5.00%
National Bank and Trust Backhoe Loan	18,156	4.99%
National Bank and Trust Water Loan	27,501	5.75%
Total	\$1,777,960	

A. Ohio Water Development Authority (OWDA) Loans:

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

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

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

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

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

B. Ohio Public Works Commission (OPWC) Loan:

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

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

C. First Mortgage Water Revenue Loan (FmHA):

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

The loan agreement between the Village and the FmHA requires that a reserve fund be established equal to one annual payment. This reserve fund was to be funded at the rate of 1/10th of an annual payment per year for 10 years. The Village has not established this reserve fund, which is a violation of the loan agreement. As of February 12, 2009, the Village did not receive a waiver exempting them from establishing a reserve fund.

D. First Mortgage Sewer Revenue Loan (FmHA):

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

The loan agreement between the Village and the FmHA requires that a reserve fund be established equal to one annual payment. The Village established a reserve fund, but has not paid the required payment into the fund, which is a violation of the loan agreement. The FmHA has not issued a waiver as of December 31, 2008 exempting the Village from establishing the debt reserve fund.

E. Backhoe Equipment Loan:

The Backhoe Equipment Loan was initiated in September, 2001 and was re-financed in July, 2005. The purpose of the 2001 loan was to finance the purchase of a John Deere backhoe and the purpose of the 2005 re-finance loan was to restructure the remaining debt. The original loan was issued for \$46,402 in 2001 and the re-finance loan totaled \$33,123 in 2005. The re-finance loan is at an interest rate of 4.99% and is to be repaid with equal monthly payments, over a period of 5 years. During 2006 and 2007, the Village made loan repayments from the General Fund, the Special Revenue Street Fund, the Enterprise Water Fund, and the Enterprise Sewer Fund.

F. Water Loan:

The Village's Water Loan was initiated in December, 2006 in the amount of \$40,000 at an interest rate of 5.75%. The purpose of this loan was to pay towards the outstanding balance owed to the Highland County Water District and to repair wells and filters. Loan repayments were made through the Water Debt Service Fund.

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

Year ending December 31:	OWDA Sewer Improvement Loan	OWDA Water System Improvement Loan	OWDA Sewer System Planning & Design Loan	OWDA Sewer Construction Loan	OPWC Water System Repair & Replacement Loan
2008	\$23,382	\$12,910	\$21,983	\$14,094	\$4,860
2009	23,382	12,910	21,983	14,094	4,860
2010	23,382	12,910	21,983	14,094	4,860
2011	23,382	12,910	21,983	14,094	4,860
2012	23,382	12,910	21,983	14,094	4,860
2013 - 2017	35,074	64,548	109,913	70,470	24,303
2018 - 2022		64,548	109,913	70,470	24,303
2023 - 2027		64,548	109,913	70,470	7,292
2028 - 2032		64,548	109,913	70,470	
2033 - 2037		19,364	98,922		
Total	<u>\$151,984</u>	<u>\$342,106</u>	<u>\$648,489</u>	<u>\$352,350</u>	<u>\$80,198</u>

	First Mortgage Water Revenue Loan	First Mortgage Sewer Revenue Loan	Backhoe Equipment Loan	Water Loan	Total Debt
2008	\$24,650	\$38,200	\$ 7,513	\$14,603	\$ 162,195
2009	24,100	37,500	7,513	14,603	160,945
2010	24,550	37,800	4,382		143,961
2011	23,950	38,050			139,231
2012	24,350	37,250			138,829
2013 - 2017	120,500	188,250			613,058
2018 - 2022	121,000	188,950			579,184
2023 - 2027	48,400	189,150			489,773
2028 - 2032		37,800			282,731
2033 - 2037					118,286
Total	<u>\$411,500</u>	<u>\$792,950</u>	<u>\$19,408</u>	<u>\$ 29,206</u>	<u>\$2,828,191</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Retirement Systems – (Continued)

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2007, seven employees of the Village have elected Social Security. The employees' liability is 6.2 percent of wages paid.

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

For an occurrence prior to January 1, 2006 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.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

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.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$20,000. This payable includes the subsequent year's contribution due if the Village 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.

<u>Contributions to PEP</u>	
2005	\$17,909
2006	\$18,418
2007	\$14,754

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 budgetary 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 occurred or was reported prior to the withdrawal.

8. Contingent Liabilities

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Jointly Governed Organizations

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

10. Subsequent Events

The Village abolished the Board of Public Affairs in April 7, 2008. Ordinance 2008-2 establishes the creation of a Village Administrator Position. The ordinance provides that the Mayor is directed to search for and appoint a suitable person to the position. This person shall take office upon approval by the majority vote of Council. The compensation of the Village Administrator shall be fixed by a majority vote of council. According to the current Mayor, the Village did not have the funds to appoint/hire a Village Administrator to this position; therefore the Mayor has been acting as the Village Administrator.

11. Advance of Funds and General Fund Balance

During September, 2004, the Village posted advances from the Water Fund to the General Fund in the amount of \$51,933. This advance of funds was used to fund current operations of the Village. As of December 31, 2007, \$37,596 of these funds had been repaid to the Water Fund. The remaining balance had not been repaid to the Water Fund and represented a liability from the General Fund to the Water Fund in the amount of \$14,337.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

11. Advance of Funds and General Fund Balance (Continued)

During 2007, the Village posted advances from the Street Fund to the Water Fund in the amount of \$11,000. This advance of funds was used to fund current operations in the Water Fund. At December 31, 2007, \$5,500 had been repaid to the Street Fund. The remaining balance represented a liability from the Water Fund to the Street Fund in the amount of \$5,500.

12. Material Noncompliance

- The Village did not properly receipt monies into the established funds as required by Ohio Rev. Code, Sections 5705.09 and 5705.10.
- The Village failed to accurately maintain the Village's books as required by Ohio Rev. Code, Section 733.28.
- Illegal advances were made from various funds contrary to Ohio Rev. Code, Sections 5705.09(F) and 5705.10.
- The Village did not maintain a debt serve reserve fund in accordance with Village's debt covenants.
- The Village paid Police Fund expenditures with funds from the Street Fund. This represented a combined total of \$17,837 of funds that were illegally expended.
- The Village did not maintain accountability over Mayor's Court monies as required by Ohio Rev. Code, Section 733.40.
- The Village did not maintain a system of internal control contrary to Ohio Admin. Code 117-2-01(A).



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 Vienna
Clinton County
97 West Main Street, Box 323
New Vienna, Ohio 43907

To the Village Council:

We were engaged to audit the financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 12, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Our report indicated that because we did not obtain certain representations from the Village's management, the inadequate documentation to support Mayor's Court receipts reported in the Agency Fund, the unadjusted advances that were made in violation of Auditor of State Bulletin 97-003 and Ohio Revised Code Sections 5705.09(F) and 5705.10, the unadjusted amounts for salaries paid out of the incorrect fund, and the failure to establish and maintain the reserve funds required by Farmer's Home Administration we did not express an opinion on the financial statements.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-003, 2007-007 through 2007-010.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-001, 2007-007, 2007-008 and 2007-010 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated February 12, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-010.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 12, 2009.

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



Mary Taylor, CPA
Auditor of State

February 12, 2009

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Rev. Code, Sections 5705.09(F) and 5705.10, restricts the use of Water and Street Funds. **Auditor of State Bulletin 1997-003** states that advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made. **Auditor of State Bulletin 1997-003** also states that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

In 2004, the Village posted advances from the Water Fund to the General Fund in the amount of \$51,933. No formal Council action was noted in the minutes for this advance. In addition, Water Fund monies are restricted for the operation and maintenance of the Village's utilities, and therefore the movement of \$51,933 from the Water Fund to the General fund was not allowed. During 2006, the Village repaid part of the advance back to the Water Fund in the amount of \$15,908. During 2007, the Village repaid an additional \$21,688 from the General Fund to the Water Fund. This left an unpaid advance of \$14,337 due the Water Fund from the General Fund.

In 2007, the Village posted advances from the Street Fund to the Water Fund in the amount of \$11,000. Street Fund monies are restricted for the operation and maintenance of the Village's streets, and therefore the movement of \$11,000 from the Street Fund to the Water Fund was not allowed. The Village repaid \$5,500 of the advance from the Water Fund back to the Street Fund. The unpaid advance amounted to \$5,500 at December 31, 2007.

During 2006 and 2007, the Village Council approved paying forty percent of the police department's salary from the Street Fund, contrary to the Ohio Revised Code. Had the salaries been properly paid from the Police Fund, the effect would have been to increase the fund balance of the Street Fund by \$9,754 in 2006 and \$8,083 in 2007 and decrease the Police Fund by the same amounts.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund and in the amount of \$14,337 in favor of the Water Fund; also, against the Water Fund and in the amount of \$5,500 in favor of the Street Fund; and against the Police Fund in the amount of \$17,837 in favor of the Street Fund.

FINDING NUMBER 2007-002

Noncompliance Citation

A reading of **White v. Clinton Cty. Bd. of Comm'rs., (1996) 76 Ohio St.3d 416, Ohio Rev. Code, Sections 121.22, 149.43 and 733.27**, impose a duty on the village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. State, ex rel. **The Fairfield Leader v. Ricketts, (1990) 56 Ohio St.3d 97**. The following items were noted:

- Financial Reports were not noted as received or approved during 1 out of the 45 (3%) month period;
- The Village's financial information was not always presented to Council for approval;
- Transfers and advances were not always approved in the minutes;
- Salary rates and salary increases were not approved in the minutes;
- Minutes were loose leafed and maintained in a folder;
- Bills were not approved by the Council at 2 out of 45 (5%) meetings documented; and
- Council meeting minutes were not signed by the appropriate Village officials attesting to the accuracy of the written record for 1 out of 45 (3%) meetings documented.

As the Council speaks only through its record of proceedings (minutes), the following recommendations were made to ensure that the minutes properly reflect parliamentary procedures and the actions of the council.

- Minutes should be prepared on a timely basis and presented at the subsequent Council meeting and approved by Council. All resolutions and ordinances should be numbered and made a part of a permanent record of proceedings;
- All council actions should be indexed under proper headings to provide easy access to all Village resolutions;
- Minutes should be signed by the Village officials affirming their accuracy;
- Each topic, resolution, motion, etc. should be sub-headed or identified either in the margin or at the head of each paragraph for easier reading and referencing;
- Minutes should be maintained in a pre-numbered permanent bound book;
- Review of the annual financial data, including budgets, appropriations, transfers, required reports, bank reconciliations, salary increase and any advertisements for the same, should be documented as a permanent part of the minute records.

Prompt review of the minutes allows Council the ability to make any necessary changes in a timely fashion. Implementation of these procedures would aid in ensuring that the minute record would be an accurate reflection of the Council's actions and would assist in locating specific actions of Council.

FINDING NUMBER 2007-003

Noncompliance Citation/Significant Deficiencies

Ohio Rev. Code, Section 733.28, states, in part, that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived therefrom, and all taxes and assessments. Although the Village's fiscal officer maintained accounting records, the records contained numerous posting errors, duplicate postings and items that were not posted to the system on a timely basis. In an attempt to reconcile the book activity to the bank activity, the Fiscal Officer would show adjusting factors (such as charges not recorded on the system or deposits not recorded on the system) on the bank reconciliation. As a result, the records maintained by the Village were not an accurate reflection of all moneys received and expended. The 2007 and 2006 financial statements include numerous audit adjustments and reclassifications which are detailed in the table below.

Ohio Rev. Code, Section 5705.09(F), states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code Section 5705.10(H) provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The Village did not properly record all Real Estate Tax receipts, Homestead and Rollback receipts, Utility receipts, Proceeds of Debt, and other Intergovernmental receipts into the appropriate Village funds. In addition, the Village recorded a transfer twice during 2007. Audit adjustments resulting in net adjustments totaling \$1,995, as described in the table listed below, have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village.

Fund	Net Adjustment
General Fund	\$565
Street Fund	10
Police Fund	1,234
Water Fund	(1,297)
Water Operating Fund (1)	(643)
Water Operating Fund (2)	(19)
Sewer Fund	2,600
Sewer Debt Service Fund	(4,445)

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

We recommend the Village's fiscal officer accurately maintain the Village's accounting records in accordance with the Uniform Accounting System prescribe by the Auditor of State. The Fiscal Officer should review the Village handbook and become familiar with the UAN account codes. The Village handbook contains the Uniform Accounting Network (UAN) account code listings. The Fiscal Officer should also obtain additional training to help learn the Uniform Accounting Network system. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. For added accountability, we recommend Council review all bank reconciliations and supporting documentation for accuracy and ensure that all reconciling items are justified.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. During 2006, the following funds had expenditures which exceeded appropriations.

Fund	Appropriations	Expenditures	Variance
Police Levy Fund	\$ 37,952	\$ 53,464	(\$ 15,512)
Water Debt Service Fund	16,330	42,420	(26,090)
Sewer Fund	120,723	144,240	(23,517)
Sewer Debt Service Fund	178,000	298,459	(120,459)
Sewer Debt Fund	20,000	74,926	(54,926)

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

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Rev. Code, Sections 5705.36 and 5705.39, provide that appropriations shall not exceed the amount of estimated revenue available for expenditure as certified by the budget commission on the official certificate of estimated resources. During 2007 and 2006, the following budgetary violations were noted:

Fund	2007 Appropriations	2007 Certificate of Estimated Resources	Variance
General Fund	\$151,782	\$144,850	(\$ 6,932)
Police Levy Fund	47,800	42,050	(5,750)
Water Fund	374,632	364,632	(10,000)
Trash Fund	63,800	58,800	(5,000)

Fund	2006 Appropriations	2006 Certificate of Estimated Resources	Variance
Water Debt Service Fund	\$16,330	\$ 6,330	(\$10,000)

**FINDING NUMBER 2007-005
(Continued)**

Failure of the Village to monitor budgetary activity resulted in overspending and negative fund balances. The management of the Village should monitor the budgetary receipts and expenditures. The fiscal officer should provide budgetary documents at least quarterly to be reviewed and approved by the Village Council. By regularly reviewing the budgetary documents throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

FINDING NUMBER 2007-006

Noncompliance Citation

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

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

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

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

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

**FINDING NUMBER 2007-006
(Continued)**

The Village did not properly certify the availability of funds for purchase commitments for 74% for 2007 and 87% for 2006 of expenditures tested, and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

FINDING NUMBER 2007-007

Noncompliance Citation / Material Weakness

Farmer's Home Administration (FmHA) Loan Agreements between the Village and FmHA, dated October 12, 1984 and October 17, 1988 state in part that "To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserve."

The First Mortgage Water and Sewer Loans with FmHA require that reserve funds be established and maintained for these issues. FmHA requires that deposits for the Water Revenue Loan be made into the reserve fund at the minimum amount of 1/10th of an annual installment per year for ten (10) years. The Sewer Revenue Loan reserve fund was to be established equal to one (1) annual payment. The Village did not establish and maintain the appropriate reserve fund for either the Water Revenue Loan or the Sewer Revenue Loan.

Failure to establish the required reserve accounts could be construed as a default of the terms or covenants of the debt and could result in the debt holder declaring the entire principal amount then outstanding and accrued interest immediately due and payable. Also the Village should request a legal opinion from the Village solicitor on how to set-up the reserve account.

FINDING NUMBER 2007-008

NonCompliance/Material Weakness

Ohio Rev. Code, Section 1905.21 requires the mayor to account for and dispose of all fines, forfeitures, fees and costs collected under Ohio Rev. Code Section 733.40. **Ohio Rev. Code Section 733.40**, requires that the Mayor maintain an accountability of all money collected in the name of the office. Specifically, that section states that except as otherwise provided in section 4511.193 of the Revised Code, all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury. Except as otherwise provided by sections 3375.50 to 3375.52 or 4511.19 of the Revised Code, all fines, and forfeitures collected by the mayor in state cases, together with all fees and expenses collected that have been advanced out of the county treasury, shall be paid by the mayor to the county treasury on the first business day of each month. Except as otherwise provided by sections 3375.50 to 3375.52 or 4511.19 of the Revised Code, the mayor shall pay all court costs and fees collected by the mayor in state cases into the municipal treasury on the first business day of each month.

The Village did not have adequate control procedures over the operation of the Mayor's Court. The following conditions were noted:

- The Village discontinued operations of the Village Mayor's Court during 2004. However, during 2006, the Village received \$560 in court fees. No documentation was attached to support the validity of the receipt. As of December 31, 2007, the account balance is \$2,719 which represents \$560 in receipts deposited during 2006 and \$2,159 deposited prior to 2006.
- Reconciliations were not performed during 2006 or 2007.
- An open items list was not maintained by the Village. An open items list would support the Mayor's Court ending balances and would facilitate the Court's monthly bank reconciliations.
- Distributions to the Village from the Mayor's Court were not timely.
- The Mayor's Court continued collecting fines and depositing in the Court's bank account after it was closed in 2004, however; the cashbook was not maintained. Discontinued use of the Mayor's Court cashbook resulted in the inability to give accurate distributions of fines to the State and Village. The funds remaining in the Mayor's Court bank account have not been properly disbursed to the appropriate agencies or transferred to the Village.
- Payments to the Village and State should be remitted by the first Monday of each month. Payments were not were not distributed within the required time frame.

We recommend that Village officials review the amounts in the Mayor's Court account, determine the appropriate distribution, and distribute funds in a timely manner.

FINDING NUMBER 2007-009

NonCompliance Citation/Significant Deficiencies

Ohio Admin. Code, Section 117-2-01(A), provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (D) states that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Plan for adequate segregation of duties or compensating controls.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Ensure that the Village complies with debt covenants and budgetary compliance including transfers and advances.
- Ensure that Mayor's Court activity is being properly maintained.

The small size of the Village does not allow for an adequate segregation of duties. The Fiscal Officer processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that Council monitor financial activity.

Council was not always aware of their appropriate administrative responsibilities such as reviewing monthly financial records, reviewing minutes and reviewing bills, as a result, the following weaknesses were noted:

- The total amount of appropriations approved by Council did not match the amounts on the UAN system;
- The amounts from the Certificate of Estimated Resources were not entered onto the UAN system;
- Invoices contained no indication (e.g., initials) that someone had performed a comparison between the items included on the invoices and the items received;
- Receipts and expenditures were posted to improper funds or classified incorrectly;
- Reconciliations contained unsupported reconciling items (adjusting items);
- Voided or cleared checks were presented on the list of outstanding warrants;
- Interest earned was not properly posted;
- Utility deposits were not posted to the Village's system on a timely basis;
- The Village did not establish the required reserve funds;

**FINDING NUMBER 2007-009
(Continued)**

- The Village had illegal transfers and advances during 2007 and 2006;
- The Mayor's Court activity was not properly maintained.

The lack of timely financial reports and accurate fund balances significantly reduces Councils' ability to monitor the Village's financial position. This may create an environment which promotes future fraud or inaccurate financial reporting.

To help strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend the Village officials and management implement the following controls:

- Appropriation amounts approved by Council should be entered into the UAN system. The amounts reported on the UAN system should be compared to the appropriation amounts approved in the minutes;
- The amounts from the Certificate of Estimated Resources should be entered into the UAN system. A comparison should be made periodically between the estimated receipts and the actual receipts to help avoid overspending;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The person which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Manual checks should not be written unless absolutely necessary. The use of manual checks increases the chances of errors or omissions and makes the preparation of the monthly reconciliation difficult;
- Officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer;
- Receipts should be posted to the UAN system upon receipt of the monies and/or deposit to ensure that monies are posted to the proper funds;
- The Council members and Fiscal Officer should attend training on the proper procedures to follow in recording Village records and in conducting Village business. In addition, the Council members and Fiscal Officer should read and study the Ohio Revised Code, Ohio Administrative Code, Ohio Compliance Supplement and Ohio Village Manual to learn the laws required to be followed to more effectively manage the Village;
- The Mayor should maintain an accurate account for Mayor's Court. The information should be provided to Council on a timely basis. See Schedule of Finding 2007-008;
- The Council should not approve illegal transfers and advances. See Schedule of Finding 2007-001;
- The Village should establish the required reserve funds as outlined in Finding 2007-007.

FINDING NUMBER 2007-010

NonCompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.36(A)(4), states that upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. During 2007 and 2006 estimated receipts exceeded actual receipts in the funds listed below. The amount of the deficiency reduced available resources below the level of current appropriations as follows:

Fund	2007 Estimated Receipts	2007 Actual Receipts plus 1/1/2007 Unencumbered Fund Balance	Appropriations	Variance (Appropriations in Excess of Actual Resources)
General Fund	\$108,989	\$115,865	\$151,782	(\$ 35,917)
Street Fund	76,601	77,467	77,800	(333)
State Highway Fund	28,108	18,315	42,753	(24,438)
Police Fund	38,550	45,698	47,800	(2,102)
Water Fund	362,397	210,883	381,232	(170,349)
Water Operating Fund	11,668	5,632	17,000	(11,368)
Water Debt Service Fund	221,224	64,085	107,730	(43,645)
Sewer Fund	171,790	169,262	172,794	(3,532)
Sewer Operating Fund	36,625	10,415	40,900	(30,485)
Sewer Debt Service Fund	140,033	81,283	140,100	(58,817)

Fund	2006 Estimated Receipts	2006 Actual Receipts plus 1/1/2006 Unencumbered Fund Balance	Appropriations	Variance (Appropriations in Excess of Actual Resources)
General Fund	\$108,385	\$104,747	\$142,832	(\$38,085)
State Highway Fund	28,406	14,932	39,430	(24,498)
Water Fund	231,466	198,006	227,664	(29,658)
Water Operating Fund	10,000	6,614	16,613	(9,999)
Sewer Operating Fund	12,000	8,850	20,450	(11,600)
Sewer Repair and Maintenance Fund	60,000	4,856	64,856	(60,000)

Allowing estimated receipts to exceed actual receipts resulted in appropriations in excess of available resources, and could result in negative fund balances. The management of the Village should monitor estimated receipts to actual receipts and determine when amendments need to be made. This will add a measure of control to the budgetary process by guarding against over appropriating and/or overspending.

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

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-002	Finding for Recovery- during 2002, court cost and fines were collected that should have been distributed to the State of Ohio per Ohio Rev. Code, Sections 2743.70, 2949.091, and 4513.263. These monies were deposited into the General Fund.	No	The Village has not remitted the payment to the State of Ohio.
2005-001	Finding for Adjustment for the Water Fund and against the General Fund	No	Reissued as Finding 2007-001
2005-002	Ohio Rev. Code Section 149.351(A) requires that public records be maintained and not destroyed. Numerous public documents could not be located by the Village.	Yes	
2005-003	Ohio Rev. Code Section 5705.10(H) requires that monies paid into any fund shall be used only for the purpose for which the fund was established. At December 31, 2005, the General Fund had a positive balance of \$14,804. However, this balance included the advance of \$51,933 which had not been repaid.	No	Reissued as Finding 2007-001
2005-004	Ohio Rev. Code, Sections 121.22, 149.43 and 733.27 imposes a duty on the Village to maintain a full and accurate record of their proceeds. The village did not maintain a full and accurate record of the Council's proceedings.	No	Reissued as Finding 2007-002

2005-005	Ohio Rev. Code, Section 733.28, requires the Village to maintain complete and accurate accounting records of the Village. Although the Village maintained accounting records, the records contained numerous posting errors. As a result, the records maintained by the Village were not an accurate reflection of all moneys received and expended.	No	Reissued as Finding 2007-003
2005-006	Ohio Rev. Code, Sections 5705.14, 5705.15 and 5705.16 requires that funds be properly approved by the Village Council. The Village Council did not properly approve transfers in the minutes.	No	Reissued as part of Finding 2007-002
2005-007	Ohio Rev. Code, Section 5705.09, requires that each subdivision establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. Numerous audit adjustments were necessary to properly reflect receipts and disbursements of the Village.	No	Reissued as Finding 2007-003
2005-008	Ohio Rev. Code, Section 5750.38(A) requires that appropriations be passed by April 1 st . The Village did not adopt permanent appropriations in the minutes.	Yes	

2005-009	Ohio Rev. Code, Section 5705.41(B) prohibits a subdivision from making an expenditure unless monies have been properly appropriated. Numerous funds had expenditures in excess of appropriated amounts.	No	Reissued as Finding 2007-004
2005-010	Ohio Rev. Code, Section 5705.41(D)(1) requires that no subdivision or taxing unit shall make any contract without prior certification that the amounts to meet the obligation are lawfully appropriated and are available. Numerous funds had expenditures in excess of appropriated amounts.	No	Reissued as Finding 2007-006
2005-011	Farmer's Home Administration (FmHA) Loan Agreements require that reserve funds be established and maintained for the debt issues. The Village did not establish and maintain the appropriate reserve fund for either the water Revenue Loan or the Sewer Revenue Loan.	No	Reissued as Finding 2007-007
2005-012	Inaccurate accounting records.	No	Partially corrected. Reissued as Finding 2007-003
2005-013	The Village erroneously coded numerous debt principal and interest payments as General Government, Contractual Services, Supplies and Materials and Capital.	No	Partially corrected. Reissued in the letter to management.
2005-014	The Village processed debt payments from various funds instead of consistently allocating payments from the appropriate funds.	Yes	

Village of New Vienna
Clinton County
Schedule of Prior Audit Findings
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2005-015	The Village discontinued operations of the Village Mayor's Court during 2004; however a balance of \$2,158.73 needs to be distributed to the appropriate agencies to close out the Mayor's Court Fund.	No	Reissued as Finding 2007-008
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Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW VIENNA

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2009