



**VILLAGE OF NEW RICHMOND
CLERMONT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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 year ended December 31, 1997. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1997, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2000, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 10, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$231,300	\$508,793	\$0	\$0	\$16,298	\$756,391
Intergovernmental Receipts	346,702	477,557	87,202		845	912,306
Charges for Services			98,904			98,904
Fines, Licenses, and Permits	39,915					39,915
Unclassified	55,576	153,300		5,704		214,580
Total Cash Receipts	673,493	1,139,650	186,106	5,704	17,143	2,022,096
Cash Disbursements:						
Current:						
Security of Persons and Property		658,234				658,234
Public Health Services		21,054				21,054
Community Environment		280,464				280,464
Transportation		121,415				121,415
Debt Service:						
Principal Payments			57,265			57,265
Interest Payments			29,937			29,937
Unclassified	519,049	4,000		4,925	26,423	554,397
Total Disbursements	519,049	1,085,167	87,202	4,925	26,423	1,722,766
Total Receipts Over/(Under) Disbursements	154,444	54,483	98,904	779	(9,280)	299,330
Other Financing Receipts/(Disbursements):						
Transfers-In		106,537				106,537
Advances-In		28,000				28,000
Transfers-Out	(132,918)					(132,918)
Advances-Out	(28,000)					(28,000)
Total Other Financing Receipts/(Disbursements)	(160,918)	134,537	0	0	0	(26,381)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,474)	189,020	98,904	779	(9,280)	272,949
Fund Cash Balances, January 1, Restated	453,937	106,261	296,095	137,080	6,065	999,438
Fund Cash Balances, December 31	\$447,463	\$295,281	\$394,999	\$137,859	(\$3,215)	\$1,272,387

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$413,155	\$0	\$0	\$413,155
Unclassified	3,027	303		3,330
Total Operating Cash Receipts	416,182	303	0	416,485
Operating Cash Disbursements:				
Unclassified	771,193			771,193
Total Operating Cash Disbursements	771,193	0	0	771,193
Operating Income/(Loss)	(355,011)	303	0	(354,708)
Non-Operating Cash Receipts:				
Intergovernmental Receipts	110,442			110,442
Other Non-Operating Receipts			72,645	72,645
Total Non-Operating Cash Receipts	110,442	0	72,645	183,087
Non-Operating Cash Disbursements:				
Debt Service	3,938			3,938
Other Non-Operating Cash Disbursements			72,080	72,080
Total Non-Operating Cash Disbursements	3,938	0	72,080	76,018
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(248,507)	303	565	(247,639)
Transfers-In	26,381			26,381
Net Receipts Over/(Under) Disbursements	(222,126)	303	565	(221,258)
Fund Cash Balances, January 1, Restated	179,861	47,118	7,173	234,152
Fund Cash Balances, December 31	<u>(\$42,265)</u>	<u>\$47,421</u>	<u>\$7,738</u>	<u>\$12,894</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Richmond, Clermont County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. However, as noted in Note 13, the Village did not use the prescribed accounts to classify certain receipts and disbursements.

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

C. Cash Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

Police Levy Fund - This fund receives taxes levied to provide police protection services to the Village residents.

Fire Levy Fund - This fund receives taxes levied to provide fire protection services to the village residents and to cover day to day operations.

EMS Levy Fund - This fund receives taxes levied to provide emergency medical services to the Village residents.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997
(Continued)

FEMA Mitigation Fund - This fund receives federal grant funds used to mitigate properties damaged by the January 1996 flood.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Sewer Debt Fund - This fund is used to pay principal and interest payments on sewer note indebtedness.

4. Capital Project Funds

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

Sewer Construction Fund - This fund received proceeds from notes and was used to construct and to improve sewer treatment services.

5. Enterprise Funds

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

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

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

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

6. Fiduciary Funds (Trust and Agency Funds)

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

Mayor's Court Fund - This fund receives fines collected by Mayor's Court and distributed to the Village and to the State.

Police Pension Fund - This fund was established to provide funds to satisfy the Village's obligation when the Police and Firemen's Disability and Pension Fund was formed. The County Auditor designated a portion of the property tax inside millage allocated to the Village to provide funding for this obligation.

E. Budgetary Process

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997
(Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 1997 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. POOLED CASH DEPOSITS

The Village maintains a cash pool used by all funds except FEMA Mitigation, certain Trust and Agency funds, and Mayor's Court. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash deposits at December 31 was as follows:

	1997
Demand deposits	\$ 685,151
Certificates of deposit	600,130
Total deposits	\$ 1,285,281

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1997 follows:

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 493,925	\$ 673,493	\$ 179,568
Special Revenue	754,233	1,246,187	491,954
Debt Service	50,000	186,106	136,106
Capital Projects	0	5,704	5,704
Enterprise	522,400	553,005	30,605
Expendable Trust	25,916	17,143	(8,773)
Total	\$ 1,846,474	\$ 2,681,638	\$ 835,164

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 906,000	\$ 651,967	\$ 254,033
Special Revenue	810,855	1,085,167	(274,312)
Debt Service	280,000	87,202	192,798
Capital Projects	137,080	4,925	132,155
Enterprise	510,468	775,131	(264,663)
Expendable Trust	30,425	26,423	4,002
Total	\$ 2,674,828	\$ 2,630,815	\$ 44,013

Expenditures exceeded appropriations in the Special Revenue Funds due to failure to budget the FEMA Mitigation fund, and in the Enterprise due to overspending Sewer Operating Fund appropriations.

As of December 31, 1997, various funds had negative fund balances: State Highway Fund (\$10,368), Cemetery Fund (\$1,966), Sewer Operating Fund (\$24,721), Garbage Fund (\$37,270), Police Pension Fund (\$3,639).

4. PROPERTY TAX

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997
(Continued)

5. DEBT

Debt outstanding at December 31, 1997 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 2,663,639	2.20%
Ohio Water Development Authority Loan	32,972	6.25%
Total	\$ 2,696,611	

The Ohio Water Development Authority (OWDA) loans relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency.

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

Year ending December 31:	OWDA Loan	OWDA Loan
1998	\$ 172,392	\$ 7,876
1999	172,393	7,876
2000	172,392	7,876
2001	172,393	7,876
2002	172,392	7,877
Subsequent	2,413,496	0
Total	\$ 3,275,458	\$ 39,381

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1997.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997
(Continued)

8. PRIOR PERIOD ADJUSTMENTS

The following funds were reclassified: Mayor's Court was reclassified from the General to Agency, the Unclaimed Money Fund was reclassified from Internal Service to Expendable Trust, the Rehab Loan Fund was reclassified from Internal Service to Special Revenue. The Agency Funds beginning balance was adjusted to include the Market Street School donation balance of \$6,392.

The following adjustments were made to restate beginning balances:

Fund Type	December 31, 1996	Total Adjustments	January 1, 1997
General	\$ 454,721	(784)	\$ 453,937
Special Revenue	89,014	17,247	106,261
Expendable Trust	5,640	425	6,065
Internal Service	17,669	(17,669)	0
Agency	0	7,173	7,173

9. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations.

As of December 31, 1997, the Village had not completed an inventory of mission-critical computer and other equipment necessary to conducting Village operations. In 1999, the Village had identified such systems as being their utility billing system. The Village's vendor, Software Solutions, Inc., has informed the Village that the utility billing software has been tested and validated.

As of December 31, 1997, the Village utilized PayChex, an outside payroll processing vendor, to provide payroll processing services for the Village. It was not determined if PayChex's payroll processing system had been tested and validated. In 1999, the Village switched to Automatic Data Processing (ADP) to provide payroll processing services for the Village. ADP is responsible for remediating this system.

As of January 1, 2000, the Village leases the Auditor of State's Uniform Accounting Network (UAN) system for these financial operations. The Auditor of State is responsible for remediating this system and is solely responsible for any costs associated with this project. The Auditor of State completed validation and testing in 1999, and the Village has now installed this version.

The State of Ohio distributes money to the Village in the form of homestead and rollback taxes, auto license, gasoline taxes, and various grants, while Clermont County collects property taxes, other taxes, and local government payments for distribution to the Village. The State and County, respectively, are responsible for remediating these systems. The Village utilizes the Clermont County 911 system for emergency dispatching. The County is responsible for remediating this system.

To the best of management's knowledge and belief, as of January 10, 2000, the Village experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the Village does business may also experience Year 2000 readiness issues that are as yet, unknown.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997
(Continued)

10. COMPLIANCE

Certain receipts and disbursements presented in this report are unclassified. This presentation is a material departure from the presentation prescribed by the Auditor of State in Sections 117-5-01 through 117-5-18 of the Ohio Administrative Code. Those sections of the Ohio Administrative Code require classifying receipts by source and disbursements by program.

11. COMMUNITY IMPROVEMENT CORPORATION OF NEW RICHMOND (CIC)

The Community Improvement Corporation of New Richmond (CIC) is a not-for-profit corporation established under ORC 1724 for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of a community or area. The Articles of Incorporation established for the CIC require 11 trustees. Per ORC 1724.10, the Village of New Richmond has designated the CIC as the agent of New Richmond Village for the "industrial, commercial, distribution and research development in such political subdivision." Per 1724.10 (A), two-fifths of the Governing Board of the CIC shall be composed of mayors, members of municipal legislative authorities, or any other appointed or elected officers of such political subdivisions, provided that at least one officer from each political subdivision shall be a member of the Governing Board. As of December 31, 1997, Rick Hilt, a member of New Richmond Village Council, was serving on the Governing Board of CIC.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1997**

Federal Grantor <i>Pass-Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant	C-W-95-276-1	14.228	<u>\$74,000</u>
U.S. DEPARTMENT OF TRANSPORTATION Federal Highway Administration			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	N/A	20.205	<u>11,427</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct from the Federal Government</i>			
Public Safety Partnership and Community Policing Grants	95-CF-WX-3638	16.710	<u>13,200</u>
U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through the Ohio Emergency Management Agency:</i>			
Hazard Mitigation Grant	DR-1097-OH	83.548	280,464
Hazard Mitigation Grant	DR-1164-OH	83.548	<u>10,110</u>
			290,574
U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through the Ohio Emergency Management Agency:</i>			
Public Assistance Grants	DR-1164-OH	83.544	<u>116,139</u>
Total U.S. Federal Emergency Management Agency			<u>406,713</u>
Total Federal Financial Assistance			<u><u>\$505,340</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1997**

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 accompanying financial statements of the Village of New Richmond, Clermont County, Ohio (the Village), as of and for the year ended December 31, 1997, and have issued our report thereon dated January 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as Items 1997-30413-001 through 1997-30413-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 10, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings as items 1997-30413-006 through 1997-30413-010.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We believe the reportable condition described in the accompanying schedule of findings as item 1997-30413-006 is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 10, 2000.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 10, 2000



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Village Council:

Compliance

We have audited the compliance of the Village of New Richmond, Ohio (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1997. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 1997-30413-011.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. These reportable conditions are described in the accompanying schedule of findings as items 1997-30413-012 through 1997-30413-014.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying schedule of findings as item 1997-30413-012 is a material weakness.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 10, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1997**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)---- ---	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	FEMA- Public Assistance CFDA 83.544; FEMA-Hazard Mitigation CFDA 83.548
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 1997-30413-001

Noncompliance Citation

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. The State Highway Fund \$(10,368); Cemetery Fund \$(1,966); Sewer Operating Fund \$(24,721); Garbage Fund \$(37,270); and Police Pension Fund \$(3,639) had negative fund balances at December 31, 1997. The deficit balances indicate that cash from other funds have been used to pay the obligations of these funds.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1997
(Continued)

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

FINDING NUMBER 1997-30413-002

Noncompliance Citation

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

FUND	APPROPRIATIONS	EXCESS OF EXPENDITURES OVER APPROPRIATIONS
Street Construction, Maintenance and Repair	\$101,744	\$4,506
State Highway	4,500	10,666
Cemetery	18,220	2,835
Fire Levy	111,840	20,159
Police Levy	284,161	23,804
FEMA Mitigation	0	280,464
Waste Fund	91,587	14,065
Sewer Fund	192,931	288,488
Water Deposit Fund	2,600	733

FINDING NUMBER 1997-30413-003

Noncompliance Citation

Ohio Administrative Code, Sections 117-5-01 through 117-5-18, require the classification of receipts by source and disbursements by program. The reconstructed Village records presented for audit did not classify transactions as required. The classifications reflected in the accompanying financial statements were a result of audit classifications. Failure to keep the required records and balance them monthly resulted in deficit cash fund balances. The Village is required to keep the prescribed records and should follow required procedures in order to control spending and to eliminate deficit cash fund balances.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1997
(Continued)

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

FINDING NUMBER 1997-30401-004

Noncompliance Citation

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

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

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

The Village's appropriation ledgers did not indicate any posted encumbrances or appropriation balances so it was impossible for the Clerk/Treasurer to accurately certify expenditures. Failure to encumber allowed the Village to overspend fund balances as noted in finding number 1997-30413-001.

FINDING NUMBER 1997-30413-005

Noncompliance Citation

Section 4.3, Article IV, Water Pollution Control Loan Fund, dated December 15, 1994, by and among the Director of Environmental Protection, the Ohio Water Development Authority, and the Village of New Richmond, requires the Village to prescribe and charge such rates that will provide for the operation and maintenance expenses of the sewer system and provide for the required debt service payments.

Failure to establish adequate rates and control expenditures resulted in a net operating loss of the sewer system for the year ending December 31, 1997 of \$(121,126). Debt service payments of \$91,140 were paid by an emergency grant from OWDA; without this grant, the net loss would have been \$(212,266). The net loss was covered by spending the surplus from previous sewer debt issues. To avoid defaulting on subsequent debt payments, the Village should increase rates, control spending, or restructure the debt.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1997
(Continued)

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

FINDING NUMBER 1997-30413- 006

Material Weakness

The Village did not reconcile bank balances either with total cash fund balance or with individual fund cash balances on a monthly basis. Many receipts were booked as reductions of expenditures and deposits were not posted to the books on a timely basis. Failure to properly post receipts or reconcile on a timely basis, resulted in accounting errors going undetected during 1997. To adequately monitor the Village's fund cash position on a timely basis, the Village should reconcile cash fund balances and bank balances on a monthly basis.

FINDING NUMBER 1997-30413-007

Reportable Condition

Department supervisors' payrolls were not approved by a designated supervisor or elected official. 21.6% of tested hourly employees' time sheets were not approved by a department supervisor. There was no documentation of Village supervisory review of payroll reports prepared by the Village's payroll processor (Paychex).

There was no annual salary ordinance passed for 1997. Employee pay increases were approved as percentage or per hour increases without specifying the new pay rate.

These conditions would allow for errors to go undetected.

We recommend that pay rates be specifically approved in the minutes, that designated supervisors approve all payrolls and time sheets, and that the Village document supervisory review of payroll reports prepared by Paychex.

FINDING NUMBER 1997-30413-008

Reportable Condition

Documentation was not attached to the file copy of the check in 17% of the tested disbursements. This indicated that the Clerk and/or Treasurer did not have supporting documentation when the bill was paid. While the documentation was not readily available, upon request, the Village was able to locate adequate documentation. If the Village were not able to locate supporting documentation, this could result in future Findings for Recovery. To avoid future problems, original documentation for each expenditure should be attached to the file copy of each check.

FINDING NUMBER 1997-30413-009

Reportable Condition

Village checks were prepared in the Administrator's office on a personal computer. These checks were then delivered to the Clerk and Treasurer for signing and posting to the Village accounting system. The Administrator's personal computer was programed to print a maximum of eight separate account charges on the check stub. Occasionally, checks would be charged to more than eight accounts. In these instances, the Clerk would fail to post the entire charge to the accounting system. This practice resulted in accounting errors which were not identified and corrected until the records were reconstructed during 1999.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1997
(Continued)

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

FINDING NUMBER 1997-30413-010

Reportable Condition

The following financial activity or bank accounts were not recorded on the Village records: 1) Debt service payments paid by the OWDA Emergency Relief Fund on behalf of the Village and corresponding intergovernmental receipts, 2) The financial activity of the 1996 FEMA Mitigation program, which was processed through a separate bank account, 3) The Lavelly escrow bank account, and 4) the Market Street School donation bank account. Failure to include these activities resulted in understated Village records. In order to prepare complete and accurate financial statements, the Village should include all financial activity in the Village accounting system.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 1997-30413-011

CFDA Title and Number	Public Assistance Grants/Hazard Mitigation Grant	83.544/83.548
Federal Award Number / Year	DR-1164-OH / 1997 DR-1097-OH / 1996	
Federal Agency	Federal Emergency Management Agency (FEMA)	
Pass-Through Agency	Ohio Emergency Management Agency (OEMA)	

Noncompliance

Per OMB Circular A-133 § 300(e), the Village was required to submit a single audit for the year ending December 31, 1997, by January 31, 1999. The Village did not submit the report within the required 13-month deadline.

FINDING NUMBER 1997-30413-012

CFDA Title and Number	Public Assistance Grants	83.544
Federal Award Number / Year	DR-1164-OH / 1997	
Federal Agency	Federal Emergency Management Agency (FEMA)	
Pass-Through Agency	Ohio Emergency Management Agency (OEMA)	

Material Weakness

The Village signed a grant agreement which stated that they understood the State-Local Disaster Assistance and Audit Requirements/Compliance Standards Agreement, and agreed to comply, as an applicant of these funds, with all requirements described therein during the administration of the grant program. Item 6 of these requirements required that the Subgrantee shall establish and maintain a proper accounting system to record expenditures of disaster assistance. Item 19 stated that the Subgrantee shall comply with any and all other federal or state requirements which apply in the implementation of these grant programs. Under a Memorandum to all local governments applying to the Public Assistance Grant Program, dated April 14, 1997, from the Ohio Emergency Management Agency (OEMA), Items A-1 and B-1 required that the entity must place all funds into a special FEMA fund; Item B-2 required that for work completed and paid for, before the FEMA money was received, the entity must reimburse the fund(s) used to pay for the goods and/or services from the FEMA fund; Item A-2 required that when work was not completed at the time a check was received, the entity should pay bills directly from the FEMA fund for the 75% federal share of each Damage Survey Report. Also, correspondence accompanying the State Warrant Checks from OEMA

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1997
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 1997-30413-012 (Continued)

to the Village Authorized Agent directed the Village to place these funds into the separate fund established for this Grant. However, the Village did not establish the required FEMA fund; instead, the Village recorded these receipts as a reduction of General Fund expenditures, and did not reimburse the funds which paid the FEMA expenditures. This made it impossible to determine from Village cash records amounts to be included in the Schedule of Federal Awards Expenditures.

Alternative procedures, such as source agency confirmations, were used to prepare the Schedule. Financial statements were adjusted to show receipts and disbursements in the funds which were reimbursed through Damage Survey Reports (DSR) as approved by the OEMA.

We recommend the Village establish separate funds to account for grant receipts and disbursements. The Village should record all grant activity within these funds. These procedures would allow Village officials to monitor federal activity, enable them to determine when a Single Audit is required, and facilitate in the preparation of the Schedule of Federal Awards Expenditures.

FINDING NUMBER 1997-30413-013

CFDA Title and Number	Public Assistance Grants	83.544
Federal Award Number / Year	DR-1164-OH /1997	
Federal Agency	Federal Emergency Management Agency (FEMA)	
Pass-Through Agency	Ohio Emergency Management Agency (OEMA)	

Reportable Condition

The Village signed a grant agreement which stated that they understood the State-Local Disaster Assistance and Audit Requirements/Compliance Standards Agreement, and agreed to comply, as an applicant of these funds, with all requirements described therein during the administration of the grant program. Item 6 of these requirements required that the Subgrantee shall establish and maintain a proper accounting system to record expenditures of disaster assistance. Item 19 stated that the Subgrantee shall comply with any and all other federal or state requirements which apply in the implementation of these grant programs. As required by Item 1 of the agreement, an Authorized Agent was appointed to conduct business with OEMA to assure all expenditures are allowable under the approved DSR's and that quarterly progress reports are filed timely and accurately. In approximately 28% of tested transactions, the Authorized Agent did not document his approval of invoices. The DSR files maintained by the Village's Authorized Agent often contained extraneous material (invoices or canceled checks which supported other expenditures originally applied for or claimed, but which were not subsequently approved by on-site damage surveys conducted by OEMA). The records made it difficult or impossible to determine which checks/invoices were actually reimbursed under an individual DSR and, therefore, which compliance requirements were applicable to that transaction (e.g., procurement).

We recommend, for future FEMA projects, that the Village's Authorized Agent document his approval of allowability under grant agreements for all expenditures. Also, in records or files supporting expenditures, he should document which Village expenditures are being paid or reimbursed by individual DSR's.

As required by Item 1 of the grant agreement, an Authorized Agent was appointed to conduct business with OEMA to assure all expenditures are allowable under the approved hazard mitigation agreement. The Village's Authorized Agent approved all activity and signed all disbursement checks under the program.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1997
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 1997-30413-014

CFDA Title and Number	Hazard Mitigation Grant	83.548
Federal Award Number / Year	DR-1097-OH / 1996	
Federal Agency	Federal Emergency Management Agency (FEMA)	
Pass-Through Agency	Ohio Emergency Management Agency (OEMA)	

Reportable Condition

The Village signed a grant agreement which stated that they understood the State-Local Disaster Assistance and Audit Requirements/Compliance Standards Agreement, and agreed to comply, as an applicant of these funds, with all requirements described therein during the administration of the grant program. Item 6 of these requirements required that the Subgrantee shall establish and maintain a proper accounting system to record expenditures of disaster assistance. Item 19 stated that the Subgrantee shall comply with any and all other federal or state requirements which apply in the implementation of these grant programs. The Village did not establish a separate Special Revenue Fund to account for grant monies received from the Ohio Emergency Management Agency (OEMA) as part of the Hazard Mitigation Grant Program approved by OEMA following the 1996 flood event. The Village recorded these grant receipts and disbursements through a separate bank account which was not included in the Village cash journal or financial statements.

However, since the activity was not recorded in the Village cash journal, there was no documentation that Village Council approved the transactions. Also, the elected officials of the Village -- namely the Clerk and Treasurer -- are authorized by the Ohio Revised Code to sign checks, maintain Village records, and are required to prepare financial statements which include all Village financial activity. When the Village's Authorized Agent learned that the activity should be approved by Council, he consulted the AOS and was advised to prepare a list of all expenditures he had approved and/or for which he signed checks and to present to Council for their retroactive approval. He did this; however, the list approved by Council did not include all program disbursements to date.

We recommend the Authorized Agent prepare a complete list of disbursements to date and present to Council for their approval. For future program receipts and disbursements, we recommend the Village follow the guidelines outlined in AOS Bulletin 99-005 for FEMA Hazard Mitigation Grants.



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OFFICE OF THE AUDITOR

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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
FEBRUARY 22, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

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**CERTIFIED
FEBRUARY 22, 2000**