



**VILLAGE OF NEW MADISON
DARKE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

VILLAGE OF NEW MADISON
DARKE COUNTY

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**Auditor of State
Betty Montgomery**

Village of New Madison
Darke County
124 South Harrison Street
P.O. Box 15
New Madison, Ohio 45346

To the Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 13, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Madison
Darke County
124 South Harrison Street
P.O. Box 15
New Madison, Ohio 45346

To the Mayor and Village Council:

We have audited the accompanying financial statements of the Village of New Madison, Darke County, (the Village), as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 13, 2005

**VILLAGE OF NEW MADISON
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$35,838	\$55,663	\$23,200		\$114,701
Intergovernmental Receipts	146,008	46,605	3,727	\$228,820	425,160
Charges for Services	53,089				53,089
Fines, Licenses, and Permits	4,090				4,090
Earnings on Investments	1,920	85		353	2,358
Miscellaneous	36				36
	<u>240,981</u>	<u>102,353</u>	<u>26,927</u>	<u>229,173</u>	<u>599,434</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	78,996	37,545			116,541
Public Health Services	3,406				3,406
Leisure Time Activities	4,716				4,716
Community Environment	29,169				29,169
Basic Utility Services	73,663				73,663
Transportation	10,000	52,809			62,809
General Government	26,718				26,718
Capital Outlay				197,802	197,802
Debt Service:					
Principal Payments	5,793	7,812	31,329		44,934
Interest Payments	561	749	9,581		10,891
	<u>233,022</u>	<u>98,915</u>	<u>40,910</u>	<u>197,802</u>	<u>570,649</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	7,959	3,438	(13,983)	31,371	28,785
Other Financing Receipts and (Disbursements):					
Other Financing Sources.	4,270	130	17,499	582	22,481
	<u>4,270</u>	<u>130</u>	<u>17,499</u>	<u>582</u>	<u>22,481</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,229	3,568	3,516	31,953	51,266
Fund Cash Balances, January 1	<u>131,333</u>	<u>75,241</u>	<u>54,385</u>	<u>172,213</u>	<u>433,172</u>
Fund Cash Balances, December 31	<u>\$143,562</u>	<u>\$78,809</u>	<u>\$57,901</u>	<u>\$204,166</u>	<u>\$484,438</u>
Reserves for Encumbrances, December 31	<u>\$10,914</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,914</u>

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

**VILLAGE OF NEW MADISON
DARKE COUNTY**

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

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$403,635
Total Operating Cash Receipts	403,635
Operating Cash Disbursements:	
Personal Services	59,998
Supplies and Materials	272,293
Total Operating Cash Disbursements	332,291
Operating Income/(Loss)	71,344
Non-Operating Cash Receipts:	
Sale of Fixed Assets	10,501
Other Financing Sources	514
Proceeds from Bonds	2,385,000
Total Non-Operating Cash Receipts	2,396,015
Non-Operating Cash Disbursements:	
Debt Service	
Redemption of Principal	(2,445,106)
Interest and Other Fiscal Charges	(30,471)
Total Non-Operating Cash Disbursements	(2,475,577)
Net Receipts Over/(Under) Disbursements	(8,218)
Fund Cash Balances, January 1	30,043
Fund Cash Balances, December 31	\$21,825
Reserve for Encumbrances, December 31	\$3,556

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

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Madison, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with New Madison Fire Department Association for fire protection services and with Tri-Village Ambulance District for emergency 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Road Construction Levy Fund - This fund receives proceeds from a Village property tax levied for improving Village streets and alleys.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Levy Fund – This fund receives levy monies and provides fire protection services to Village residents.

Police Levy Fund – This fund receives levy monies to provide for the operation of the Village police department.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Bond Retirement Fund – This fund is used to retire the principal and interest of Village loan and note debt issues.

4. Capital Project Funds

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

Wastewater Bond Construction Fund - This was established to account for the construction of the Village sewer system and plant.

5. 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 the cost of providing water service.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level for the General Fund and at the fund level for all other funds, and appropriations may not exceed estimated resources. 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.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004
Demand deposits	<u>\$484,507</u>
Certificates of deposit	<u>21,756</u>
Total deposits	<u>506,263</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$177,052	\$245,251	\$68,199
Special Revenue	97,810	102,483	4,673
Debt Service	57,077	44,426	(12,651)
Capital Projects	0	229,755	229,755
Enterprise	3,233,040	2,799,650	(433,390)
Total	<u>\$3,564,979</u>	<u>\$3,421,565</u>	<u>(\$143,414)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$281,784	\$243,936	\$37,848
Special Revenue	114,000	98,915	15,085
Debt Service	57,077	40,910	16,167
Capital Projects	74,758	197,802	(123,044)
Enterprise	3,254,885	2,811,424	443,461
Total	<u>\$3,782,504</u>	<u>\$3,392,987</u>	<u>\$389,517</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Wastewater Construction Fund by \$123,044. Also contrary to Ohio law the Water and Sewer Funds appropriations exceeded estimated resources by \$21,095 and \$222,855, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

5. CAPITAL LEASES

The Village had the following capital leases in effect as of December 31, 2004:

	<u>Inception</u>	<u>Remaining</u>
Ford Motor Credit-Police Cruiser	1/19/2002	\$6,223
De Lage Landen-Savin Copier	1/1/2002	1,831
Total		<u>\$8,054</u>

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Unlimited Tax General Obligation Bonds	\$445,000	4.75%
Sewer System Mortgage Revenue Refunding Bonds	1,600,000	4.75%
Sewer System Mortgage Revenue Refunding Bonds	340,000	4.75%
Wastewater Treatment Improvement OPWC Loan	462,500	0.00%
Total	<u>\$2,847,500</u>	

The principal amount of the Village's mortgage revenue refunding bonds outstanding at December 31, 2004, of \$1,940,000 is being retired with the charges for services collected through the Village residents. The principal amount of the Village's unlimited tax general obligation bonds outstanding at December 31, 2004 of \$445,000 is being retired with the property tax money levied against the village property owners.

The Wastewater Treatment Improvement OPWC Loan was provided by the State to assist in the cost of the Village's \$5,700,000 sewer system construction project and will be retired with semi-annual payments of \$12,500 ending July 1, 2023.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>General Obligation Bonds</u>	<u>Mortgage Revenue Refunding Bonds</u>	<u>Mortgage Revenue Refunding Bonds</u>
2005	\$25,000	\$24,980	\$19,106	\$89,892
2006	25,000	25,052	19,108	90,030
2007	25,000	25,058	19,160	90,132
2008	25,000	25,110	19,147	90,198
2009	25,000	25,040	19,142	90,131
2010-2014	125,000	125,374	95,810	450,576
2015-2019	125,000	125,280	95,693	450,572
2020-2024	87,500	125,375	95,792	450,669
2025-2029		125,250	95,736	450,539
2030-2034		125,327	95,763	450,387
2035-2039		125,288	95,758	450,494
2040-2044		125,258	95,673	450,451
Total	<u>\$462,500</u>	<u>\$1,002,392</u>	<u>\$765,888</u>	<u>\$3,604,071</u>

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



**Auditor of State
Betty Montgomery**

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

Village of New Madison
Darke County
124 South Harrison Street
P.O. Box 15
New Madison, Ohio 45346

To the Mayor and Village Council:

We have audited the financial statements of the Village of New Madison, Darke County, (the Village), as of and for the year ended December 31, 2004, and have issued our report thereon dated September 13, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2004-004 to be a material weakness. In a separate letter to the Village's management dated September 13, 2005, we reported matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of finding as items 2004-001 through 2004-003. In a separate letter to the Village's management dated September 13, 2005, we reported other matters related to noncompliance or other matters we deemed immaterial.

We intend this report solely for the information and use of the management and Village Mayor and Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 13, 2005

VILLAGE OF NEW MADISON
DARKE COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

Noncompliance Citation – Ohio Revised Code:

Ohio Rev. Code Section 5705.41(D) 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.

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 (\$1,000 prior to April 7, 2003) 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 not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not to exceed beyond the current year (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months). 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 one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 8.57% of expenditures tested. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**FINDING 2004-001
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification 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. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Also, the Village has not established a policy setting the maximum amount that may be encumbered on a blanket purchase order which does not follow the Ohio Revised Code requirements. The Village should create a policy which establishes the maximum amount that may be encumbered on a blanket certificate to comply with this section of code.

FINDING 2004-002

Noncompliance Citation – Ohio Revised Code:

Ohio Rev. Code Section 5705.41(B), prohibits expenditures unless the funds have been properly appropriated. This prohibits expenditures from exceeding appropriations. Contrary to this requirement, expenditures exceeded appropriations at the fund level (the legal level of control) as of December 31, 2004, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2091 – Law Enforcement Trust Fund	\$0	\$582	(\$582)
4101 – Wastewater Construction Fund	74,758	197,802	(123,044)

The Village should monitor the budgetary financial reports throughout the year to prevent budgetary expenditures from exceeding appropriations at the legal level of control. In instances where it appears appropriations are insufficient to meet projected needs, the Village should pass a resolution to amend appropriations. This analysis should also encompass a review of available resources.

FINDING 2004-003

Noncompliance Citation – Ohio Revised Code:

Ohio Rev Code 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue. Contrary to this requirement, appropriations exceeded estimated resources in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
5101– Water Fund	\$103,905	\$125,000	(\$21,095)
5201 – Sewer Operation Fund	2,897,685	3,120,540	(222,855)

Appropriating more than is estimated to be received may lead to a deficit spending situation.

FINDING 2004-004

Material Weakness:

Establishment of Funds and Accounts Posted off the Books

The New Madison Mayor’s Court account, Payroll account, CDBG account, and 3 Interim Financing accounts were not included on the Village’s accounting records. Separate bank accounts are maintained for each. These accounts should be posted to the Village ledgers to give an accurate accounting of the Village balances.

The Mayor’s court has been inactive for several years and has a balance that should be included as activity on the Village’s ledgers. The Village should post the \$100 balance of the Mayor’s account to the general fund as miscellaneous revenue. The Village should close out the separate account and deposit the balance into the general account of the Village.

The Village should post the \$7,392 payroll account balance less outstanding checks to the general fund. The payroll account has excess funds so that the account is never overdrawn which should be posted to the Village ledger. The separate payroll bank account should be eliminated and all payroll transactions should be handled through the general bank account.

The Village opened three different bank accounts for the sewer project to handle the interim financing and CDBG grant. The activity of the sewer project should have been reported in the Wastewater Construction Fund (4101) showing the revenue that was received from the various sources at the time notification was received by the grantor and/or the project manager. Also the Village should have recorded the memo checks that were written out on behalf of the Village by the grantor or when the Village wired money to the vendor for payment of services rendered. The Village should close out the separate accounts and deposit the balance into the general account of the Village.

The accompanying financial statements include the required adjustments to correctly report the activity of the bank accounts listed above during 2004.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC 5705.41(D) – failure to certify the availability of funds prior to entering into purchase obligations.	No	Re-issued as finding 2004-001
2003-002	ORC 5705.41(B) – expenditures exceeding appropriations.	No	Re-issued as finding 2004-002
2003-003	Unnecessary Bank Accounts and Accounts off the Book	No	Re-issued as finding 2004-004
2003-004	Revenue Posting of the Federal Wastewater Program	Corrected	



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VILLAGE OF NEW MADISON

DARKE 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
NOVEMBER 10, 2005**