



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 8, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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VILLAGE OF MILLVILLE
BUTLER COUNTY

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**Auditor of State
Betty Montgomery**

Village of Millville
Butler County
2860 Ross Hanover Road
Millville, Ohio 45013

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to 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.

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Betty Montgomery
Auditor of State

December 20, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Millville
Butler County
2860 Ross Hanover Road
Millville, Ohio 45013

To the Village Council:

We have audited the accompanying financial statements of the Village of Millville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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 (and 2003), 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.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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 of Millville, Butler County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years 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 December 20, 2006, 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

December 20, 2006

**VILLAGE OF MILLVILLE
BUTLER 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$18,517	\$4,076	\$22,593
Special Assessments	6		6
Intergovernmental Receipts	171,713	15,137	186,850
Charges for Services	24,500		24,500
Fines, Licenses, and Permits	9		9
Earnings on Investments	2,274	880	3,154
Miscellaneous	13,592		13,592
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	230,611	20,093	250,704
Cash Disbursements:			
Current:			
Security of Persons and Property	102,664		102,664
Public Health Services	263		263
Transportation		2,715	2,715
General Government	35,839		35,839
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	138,766	2,715	141,481
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	91,845	17,378	109,223
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	222,287	105,048	327,335
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$314,132</u>	<u>\$122,426</u>	<u>\$436,558</u>

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

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$18,036	\$3,018	\$21,054
Intergovernmental Receipts	44,781	64,936	109,717
Charges for Services	15,000		15,000
Earnings on Investments	1,222	581	1,803
Miscellaneous	33,616		33,616
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	112,655	68,535	181,190
Cash Disbursements:			
Current:			
Security of Persons and Property	69,804		69,804
Public Health Services	547		547
Transportation		8,543	8,543
General Government	38,990		38,990
Capital Outlay		54,000	54,000
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	109,341	62,543	171,884
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	3,314	5,992	9,306
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	218,973	99,056	318,029
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$222,287</u>	<u>\$105,048</u>	<u>\$327,335</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	<u>\$1,325</u>	<u>\$0</u>	<u>\$1,325</u>

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

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Millville, Butler County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village contracts with the Butler County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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 Deposits

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 Funds

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

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

Community Development Block Grant Fund - This fund was used to account for monies spent on behalf of the Village in 2003 for the installation of storm sewers.

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, or object level of control, 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.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 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.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$399,730	\$290,842
Certificates of deposit	36,828	36,493
Total deposits	<u>\$436,558</u>	<u>\$327,335</u>

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

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,737	\$230,611	\$145,874
Special Revenue	14,200	20,093	5,893
Total	\$98,937	\$250,704	\$151,767

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,275	\$138,766	(\$33,491)
Special Revenue	110,379	2,715	107,664
Total	\$215,654	\$141,481	\$74,173

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,672	\$112,655	\$20,983
Special Revenue	11,000	68,535	57,535
Total	\$102,672	\$181,190	\$78,518

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$103,307	\$110,666	(\$7,359)
Special Revenue	110,379	62,543	47,836
Total	\$213,686	\$173,209	\$40,477

Contrary to Ohio law, expenditures plus outstanding encumbrances exceeded appropriations for the General Fund and Permissive Motor Vehicle License Tax Fund in 2004; and in the following funds in 2003: General, Permissive Motor Vehicle License Tax, and the Community Development Block Grant Funds.

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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.

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.

5. 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 and 2003, 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.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. RELATED PARTY

The former Clerk is the owner of a company which the Village used to service and repair their vehicles during 2004 and 2003. The Village paid \$19 for these services through March 31, 2004 (the last date the former Clerk held this position) and \$1,807 during 2003.

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. VOLUNTEER FIRE DEPARTMENT

The Millville Fire Association was organized to provide fire protection for the Village of Millville and surrounding townships. The Fire Association is a 501(C)(3) organization. The Association applies for its own State of Ohio grants through the Village. All grants are applied for under the name "Millville Fire Department" and the Village's federal ID number is used. The Village received state grants in 2003 and 2004 totaling \$12,760 and \$97,456, respectively. All monies are received by the Chief, given to the Clerk, deposited into the Village account/recorded on the Village books, and a check is written from the Village account to the Fire Association. The title for all of the fire equipment is held by the Village. The Fire Chief and Assistant Fire Chief's salaries are paid by the Village. At December 31, 2004 the Fire Association had an unaudited cash balance of \$59,266.

9. COMPLIANCE

The Village did not establish Federal Emergency Management Assistance and Permissive Motor Vehicle Tax Funds per Ohio Rev. Code Section 5705.09(F) and did not record all financial transactions as required.

The Village did not classify certain transactions in accordance with the Ohio Administrative Code Sections 117-2-02(A) and 117-9-01.

10. SUBSEQUENT EVENT

On September 1, 2004, the Village entered into an agreement with Ross Township to sell all Village fire trucks and equipment to Ross Township. The total sales price was \$175,000. Payments shall be made to the Village in annual installments of \$35,000 beginning in January 2005 and ending in January 2009.

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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 Millville
Butler County
2860 Ross Hanover Road
Millville, Ohio 45013

To the Village Council:

We have audited the financial statements of the Village of Millville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 20, 2006 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 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2004-005 and 2004-006 listed above to be material weaknesses. In a separate letter to the Village's management dated December 20, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the 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 2004-001 through 2004-004. In a separate letter to the Village's management dated December 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

December 20, 2006

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Reportable Condition/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.

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 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. (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 line item appropriation.

Thirty-three percent of the transactions tested in fiscal year 2003 and twenty-two percent of the transactions tested in fiscal year 2004 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 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 Clerk-Treasurer certify that the 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 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.

FINDING NUMBER 2004-002

Reportable Condition/Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Village recording the appropriations, Ohio Rev. Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Village received \$82,930 of Federal Emergency Management Assistance (FEMA) revenue in 2004. This FEMA money was deposited into the General Fund instead of a separate fund. This FEMA revenue was included in the Village's estimated resources.

The Clerk did not record Community Development Block Grant (CDBG) monies disbursed on behalf of the Village in 2003 in the Village's existing CDBG fund. The grant monies were not included in the appropriations by the Village Council during the audit period. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$54,000 for the year ended December 31, 2003.

Also, the Clerk did not record monies received from the Permissive Motor Vehicle Tax in that fund, as required by ORC 5705.09(F). The Village recorded monies received from this source in the Street Construction Maintenance and Repair Fund and the State Highway Fund. The accompanying financial statements have been adjusted to reflect receipts of \$4,076 and \$3,018 for the years ended December 31, 2004 and 2003, respectively.

We recommend the Village establish all required funds and segregate its monies accordingly. The Village should also properly account for all revenues and expenditures for on-behalf monies such as CDBG funds. Village management should refer to Auditor of State Bulletins 1998-013 and 2000-008 for accounting and budgetary guidance regarding on-behalf payments.

FINDING NUMBER 2004-003

Reportable Condition/Noncompliance Citation

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

Fund	Expenditures + Outstanding Encumbrances	Appropriations	Variance
General (2003)	\$110,666	\$103,307	\$7,359
Permissive Motor Vehicle (2003)	1,773	0	1,773
Community Development (2003)	54,000	0	54,000
General (2004)	138,766	105,275	33,491
Permissive Motor Vehicle (2004)	584	0	584

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2004-004

Reportable Condition/Noncompliance Citation

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin. Code, Section 117-9-01, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for service, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Accurate classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Ohio Administrative Code.

The Village did not properly classify certain receipts for the years ended December 31, 2004 and 2003. In numerous instances, monies received from the County and State Auditors for gasoline taxes were posted to Taxes instead of Intergovernmental Revenue. In 2004, money received for an EMS Grant was posted to Charges for Services instead of Intergovernmental Revenue. The Village was therefore unable to monitor compliance with its appropriation resolutions. These amounts have been corrected on the accompanying financial statements. We recommend the Village classify transactions in accordance with the classifications and descriptions set forth in the Village Officers' Handbook to reduce the risk of noncompliance.

FINDING NUMBER 2004-005

Material Weakness

When designing the public office's system of internal control and the specific control objective activities, management should consider ensuring that accounting records are properly designed. Management should also ensure the collection and compilation of the data needed for the timely preparation of financial statements, as well as verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records. The Village does not have proper controls and procedures over bank reconciliations as evidenced by the following:

- Interest earned on the checking account was not posted timely. In 2003, the monthly interest earned on the checking account was posted only at three different times (February 28th, September 21st, and December 31st). In 2004, the monthly interest was posted only at two different times (April 12th and December 31st).
- Various receipts were posted in incorrect amounts and never detected. In 2003, receipt #2-2003 in the amount of \$226 was posted a second time to the Village's records and never detected. This receipt was originally posted on December 31, 2002 as receipt #129-2002. Receipt #5-2003 in the amount of \$154 was posted as \$144. Receipt #105-2003 in the amount of \$0.58 was posted as \$58. Receipt # 152-2003 dated December 31, 2003 was posted in the amount of \$200 for interest earned on the Village's checking account. However, the actual amount of interest earned was \$178. Receipt #161-2003 in the amount of \$154 (the same transaction from receipt #5-2003) was incorrectly posted a second time. In 2004, receipt #42-2004 in the amount of \$0.24 was posted as \$24.
- Other transactions were never recorded. In 2003, a check received by the Village in the amount of \$185 for hall rental was returned to the Village for insufficient funds. However, the Village did not account for this returned check in its records. Bank service charges and returned check charges from February through November 2003 totaling \$208 were never recorded. In June 2004, the Village received a FEMA grant in the amount of \$2,125. This transaction was never recorded in the Village's records. In June 2004, the Village received a settlement from the Butler County Auditor in the amount of \$58 for manufactured home tax. This transaction was never recorded. Bank service charges totaling \$240 for 2004 were never recorded. In June 2004, the Village received a payment for municipal gasoline tax in the amount of \$415. This transaction was never recorded.
- Checks written by the Village were not properly accounted for in the Village records. Check number 11646 written on December 1, 2003 in the amount of \$29 cleared the bank but was subsequently voided by the Village on October 1, 2004. Check number 11726 in the amount of \$105 cleared the bank on April 22, 2004. This check was voided on May 31, 2004 but was re-issued as check number 11995 on December 5, 2004.
- The Village receives gasoline tax monies from the Butler County Auditor and the Auditor of State. Beginning in 2004, the Village began allocating the monies between the Street Construction Maintenance Repair (SCMR) Fund and the State Highway Fund improperly. Rather than allocating 92.5% of the settlement to the SCMR Fund and 7.5% to the State Highway Fund, the Clerk divided the amount of the total settlement by 7.5, posted that amount to the State Highway Fund, and then posted the remainder to the SCMR Fund.

**FINDING NUMBER 2004-005
(Continued)**

Numerous audit adjustments were made to the financial statements. Failure to accurately maintain the Village's accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial misstatements will be misstated. We have reclassified the transactions described above in the accompanying financial statements.

We recommend the Village Clerk accurately maintain accounting records using the Ohio Admin. Code , Section 117-9-01 and the Village Officers' Handbook as guidance.

FINDING NUMBER 2004-006

Material Weakness

When designing the public office's system of internal control and the specific control objective activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Village's staff does not allow for adequate segregation of duties. The Clerk performs all the financial record keeping including receipting, depositing, check writing, and posting. This system could result in diversion of funds and bookkeeping errors without detection in a timely manner.

The following weaknesses were noted:

- All of the prior audit findings had not been addressed or corrected.
- Revenues, as noted in Finding 2004-005, were posted to the wrong funds or accounts and were undetected by Council.

The financial statements have been adjusted to reflect the proper postings of the incorrect receipts.

We recommend the Village implement monitoring controls over financial processing and reporting, and audit follow-up that will help support the objectives of Council and management in these areas. Monitoring controls should be implemented by someone independent of those performing the tasks.

The following procedures, at a minimum, should be implemented:

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

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

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**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Revised Code 5705.41(D), failure to certify funds	No	Reissued as finding number 2004-001.
2002-002	Revised Code 5705.41 (B), expenditures exceeding appropriations.	No	Reissued as finding number 2004-003.
2002-003	Revised Code 5705.09(F), failure to establish required funds.	No	Reissued as finding number 2004-002.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF MILLVILLE

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 11, 2007**