



Mary Taylor, CPA  
Auditor of State



VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY

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# Mary Taylor, CPA

Auditor of State

Village of Newtonsville  
Clermont County  
17 West Main Street  
Newtonsville, Ohio 45158

To the Village Council:

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

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**Mary Taylor, CPA**  
Auditor of State

August 23, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Newtonsville  
Clermont County  
17 West Main Street  
Newtonsville, Ohio 45158

To the Village Council:

We have audited the accompanying financial statements of the Village of Newtonsville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 and 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, 2005 and 2004, or its changes in financial position for the years 2005 and 2004 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 Newtonsville, Clermont County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

As discussed in Note 7 to the financial statements, the Village has a negative General Fund balance of (\$659) as of December 31, 2005, as a result of adjustments related to the audit. Note 7 also describes Management's plans regarding this matter.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 23, 2007



**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$4,783	\$0	\$0	\$4,783
Intergovernmental Receipts	34,208	13,242	0	47,450
Fines, Licenses, and Permits	51,699	4,771	0	56,470
Earnings on Investments	430	493	0	923
	<u>91,120</u>	<u>18,506</u>	<u>0</u>	<u>109,626</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	55,560	0	0	55,560
Public Health Services	575	0	0	575
Leisure Time Activities	300	0	0	300
Transportation	0	7,523	0	7,523
General Government	55,078	0	0	55,078
	<u>111,513</u>	<u>7,523</u>	<u>0</u>	<u>119,036</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(20,393)</u>	<u>10,983</u>	<u>0</u>	<u>(9,410)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Other Financing Sources	85	0	59,947	60,032
Other Financing Uses	<u>(500)</u>	<u>0</u>	<u>(65,519)</u>	<u>(66,019)</u>
Total Other Financing Receipts/(Disbursements)	<u>(415)</u>	<u>0</u>	<u>(5,572)</u>	<u>(5,987)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,808)	10,983	(5,572)	(15,397)
Fund Cash Balances, January 1	<u>20,149</u>	<u>59,467</u>	<u>7,591</u>	<u>87,207</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$659)</u></b>	<b><u>\$70,450</u></b>	<b><u>\$2,019</u></b>	<b><u>\$71,810</u></b>

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

**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**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, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$13,292	\$40	\$0	\$0	\$13,332
Intergovernmental Receipts	34,279	9,402	0	0	43,681
Fines, Licenses, and Permits	65,821	9,342	0	0	75,163
Earnings on Investments	513	904	0	0	1,417
Miscellaneous	60	0	0	0	60
<b>Total Cash Receipts</b>	<u>113,965</u>	<u>19,688</u>	<u>0</u>	<u>0</u>	<u>133,653</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	65,717	0	0	0	65,717
Transportation	0	43,962	0	0	43,962
General Government	122,228	0	0	0	122,228
Capital Outlay	0	0	37,869	0	37,869
<b>Total Cash Disbursements</b>	<u>187,945</u>	<u>43,962</u>	<u>37,869</u>	<u>0</u>	<u>269,776</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(73,980)</u>	<u>(24,274)</u>	<u>(37,869)</u>	<u>0</u>	<u>(136,123)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Other Financing Sources	43,815	1,108	0	83,988	128,911
Other Financing Uses	(4,267)	0	0	(86,459)	(90,726)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>39,548</u>	<u>1,108</u>	<u>0</u>	<u>(2,471)</u>	<u>38,185</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(34,432)	(23,166)	(37,869)	(2,471)	(97,938)
Fund Cash Balances, January 1	54,592	82,606	37,899	10,062	185,159
<b>Fund Cash Balances, December 31</b>	<u><b>\$20,160</b></u>	<u><b>\$59,440</b></u>	<u><b>\$30</b></u>	<u><b>\$7,591</b></u>	<u><b>\$87,221</b></u>
Reserves for Encumbrances, December 31	<u>\$5,813</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,813</u>

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

**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Newtonsville, Clermont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides street maintenance 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 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 has an interest bearing checking account which is valued 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.

Cruiser Replacement Fund - This fund receives 20% of the court costs allocated to the Village for expenditures related to the purchase of new police department cruisers.

**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Project Funds:

Land and Building Construction Fund - This fund is for capital outlay expenditures for land and building construction projects.

**4. Agency Funds**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Agency Fund:

Mayor's Court – This fund collects and distributes court fines to the Village and the State.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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 2005 and 2004 budgetary activity appears in Note 3.

**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 and deposit 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:

	2005	2004
Demand deposits	\$71,810	\$87,221

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,021	\$91,206	\$185
Special Revenue	12,600	18,506	5,906
Total	\$103,621	\$109,712	\$6,091

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,260	\$112,013	\$17,247
Special Revenue	67,300	7,523	59,777
Total	\$196,560	\$119,536	\$77,024

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,000	\$157,780	\$37,780
Special Revenue	16,700	20,796	4,096
Capital Projects	300	0	(300)
Total	\$137,000	\$178,576	\$41,576

**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,434	\$198,025	(\$24,591)
Special Revenue	91,400	43,962	47,438
Capital Projects	39,000	37,869	1,131
Total	\$303,834	\$279,856	\$23,978

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$24,591 for the year ended December 31, 2004.

Contrary to Ohio law, appropriations exceeded estimates resources in the General Fund, Street Construction & Maintenance Fund, and Permissive Motor Vehicle License Fund by \$16,072, \$4,743, and \$3,279 respectively for the year ended December 31, 2005.

Contrary to Ohio law, appropriations exceeded estimates resources in the General Fund and the Computer Fund by \$53,434 and \$650 respectively for the year ended December 31, 2004.

**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**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 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, 2005.

**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**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. NEGATIVE GENERAL FUND BALANCE**

A negative fund balance occurred December 31, 2005 in the General Fund. Management believes that this deficit has been corrected based on unaudited cash balances at December 31, 2006 and July 31, 2007.

**8. COMPLIANCE**

The Village did not comply with certain sections of the Ohio Revised Code as follows:

- The Village did not retain certain records as required by Ohio law.
- The Village did not maintain accounting and payroll records in the manner required by Ohio law.
- Mayor's Court collections were not disbursed by the Village within the time required by Ohio law.

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# Mary Taylor, CPA

Auditor of State

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

Village of Newtonsville  
Clermont County  
17 West Main Street  
Newtonsville, Ohio 45158

To the Village Council:

We have audited the financial statements of the Village of Newtonsville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 23, 2007, 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. However, we noted 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 managements' assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item 2005-001 through 2005-008.

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 2005-002 described above to be a material weakness.

### **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 Findings as item 2005-001 through 2005-007. In a separate letter to the Village's management dated August 23, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Mary Taylor, CPA**  
Auditor of State

August 23, 2007

VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

**Material Noncompliance / Reportable Condition**

**Ohio Rev. Code, Section 149.351**, provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42. The Village was unable to locate invoices for 12% of the non-payroll cash disbursements tested. We recommend that the Village maintain invoices as part of voucher packets.

**Officials' Response:** We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-002

**Material Noncompliance / Material Weakness**

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

**Ohio Administrative 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 the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Administrative Code, Section 117-2-02(D) accounting records that can help achieve these objectives include:

1. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
2. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Using the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village converted to the Uniform Accounting Network (UAN) during the audit period. The Clerk maintained a cashbook on UAN software. However, budgeted receipts and appropriations for 2005 and 2004 were not maintained in a receipts and appropriations ledger. The Village's current system of internal control does not address the need for the accurate posting and updating of the Village's budgetary records and the consistent monitoring of budgetary financial information. The lack of such controls reduces the Village's ability to determine its financial status accurately at any given time and may result in obligations being incurred without the available resources.

To provide accurate and complete financial information for management to use in the decision making process, and to aid in the accurate classification of receipts and disbursements on the Village's annual financial report, we recommend:

1. The Village maintains receipt and appropriation ledgers as prescribed by the Ohio Admin. Code Section 117-2-02(A).
2. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances.

**FINDING NUMBER 2005-002  
(Continued)**

3. Receipts should be posted by fund and line item, with a running balance maintained. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

The budgeted receipts and appropriations from the official documents should be accurately recorded and updated in the respective ledgers. On a monthly basis, detailed budget and actual financial statements should be presented to the Council for review. Council members should carefully review this information and make appropriate inquiries to help determine the continued integrity of the financial information and accept the information officially in the minutes.

The following errors required audit adjustments to fairly present the Village's financial statements:

- The Village posted incorrect January 1, 2004 balances when converting to the UAN system.
- \$3,487 in 2004 and \$4,213 in 2005 was posted to Local Taxes instead of Intergovernmental Receipts.
- Local Tax receipts of \$1,115 were posted to the General Fund instead of the Permissive, Street, and State Highway Special Revenue Funds.

As a result of these errors, receipts for certain line items and funds were incorrectly reported on the Annual Report. Reclassifications and adjustments were made to individual line items and funds on the financial statements and the Village ledgers. Fund balance adjustments were required as follows; General Fund (\$2,019), Street Construction Fund \$917, State Highway Fund \$270, and Permissive Motor Vehicle Fund \$832. We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in properly reflecting the Village's financial activity in the annual report. The Clerk should also refer to the UAN chart of accounts to assist in the proper posting of the Village's receipts and disbursements.

Failure to accurately prepare and reconcile the accounting records reduces the accountability over Village funds and reduces the Council's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Village's financial statements will be misstated

**Officials' Response:** Officials did not submit a substantive response.

**FINDING NUMBER 2005-003**

**Material Noncompliance / Reportable Condition**

**Ohio Rev. Code, Section 733.40**, provides, in part, that all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come in to the mayor's hands, or that are due the mayor, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all moneys received, from whom and for what purposes received, and when paid into the treasury.

During the audit, it was noted that all twenty-four, 100%, of disbursements from the Mayor to the Village were made between 8 to 16 days of the following month and not prior to the first Monday of each month as required. The Mayor should consider reviewing the Mayor's Court account on line rather than waiting for the receipt of the monthly bank statements so disbursements can be remitted to the Village within the mandated timeframe set through the ORC.

**Officials' Response:** Bank statement comes around 7<sup>th</sup> or 8<sup>th</sup> of each month. The account is zeroed out so statement has to be received before checks are made out.

**FINDING NUMBER 2005-004**

**Material Noncompliance / Reportable Condition**

**Ohio Rev. Code, Section 5705.39**, requires that the total appropriations from each fund should not exceed the total estimated revenue.

Appropriations exceeded estimated resources for the following funds:

Year	Fund	Appropriations	Estimated Resources	Variance
2005	General	\$ 123,326	\$ 91,021	\$ (16,072)
2005	Street Construction & Maintenance	39,800	35,057	(4,743)
2005	Permissive Motor Vehicle License	6,000	2,721	(3,279)
2004	General	173,434	120,000	(53,434)
2004	Computer	2,500	1,850	(650)

Also, no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village properly filed the 2004 appropriation measure with the county auditor. The Village Council approved the 2005 appropriation measure; however, they failed to file the 2005 appropriation measure with the county auditor.

Failure to limit appropriations to the amount of estimated resources could result in overspending of funds and negative fund balances. Also, failure to obtain the certificate from the county auditor stating the total appropriations from each fund do not exceed the total official estimate or amended official estimate could result in an ineffective appropriation measure. We recommend that the Village implement procedures to monitor appropriations and estimated resources and obtain the proper certifications from the county auditor.

Amendments should be approved and obtained as needed.

**Officials' Response:** As of 4/1/06 Dawn Werner took over Clerk position. Appropriations were done; however, they weren't filed with the County Auditor. The Clerk filed them August 2006.

## FINDING NUMBER 2005-005

### Material Noncompliance/Reportable Condition

**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.

Where a continuing contract is to be performed in whole or in part in an ensuing year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Prior certification was not obtained for 38% of the expenditures tested during 2004 and neither of the exceptions provided for above were utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-005  
(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 the Clerk 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 officials and employees obtain the Clerk's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2005-006**

**Material Noncompliance/Reportable Condition**

**Ohio Rev. Code, Section 5705.41(B)**, provides that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in Chapter 5705. The Village had expenditures plus encumbrances in excess of appropriations in the General Fund by \$24,591 at December 31, 2004.

Expending more than is appropriated could result in negative fund balances and fiscal distress due to over spending. The Clerk should consider denying payment requests exceeding appropriations. We recommend that the Village monitor budgetary activity monthly and make the necessary amendments to their official budgetary documents and system so that they reflect the actual budgetary situation, and that they operate within their budget. All amendments should be reviewed and approved by Council.

**Officials' Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2005-007**

**Material Noncompliance/Reportable Condition**

**Ohio Admin. Code, Section 117-2-02(D)**, provides that all public offices should maintain or provide a report similar to the following:

- W-2's, W-4's and other withholding records and authorizations.

Our review noted the following:

- Updated personnel files are not maintained by the Village for employees.
- Withholding forms are completed by the employee and forwarded to the payroll service, but 50 percent of retirement withholding forms tested and 40 percent of W-4 forms tested were not in the employee files.
- No approved salary rates and hiring authorization were in the personnel files.

**FINDING NUMBER 2005-007  
(Continued)**

Failure to maintain employees' payroll information could result in incorrect deductions and/or compensation. We recommend that the Village obtain and maintain all necessary payroll records for their employees.

The Village should also implement procedures to reasonably assure the completeness and accuracy of payroll processing by the third party administrator. Statement on Auditing Standards No. 70 (SAS 70) as amended by SAS No. 88, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 and SAS No. 88, should provide the Village with an appropriate level of assurance that the payroll is being processed in conformance with the Council approved rates of pay. However, it may be possible for the Village to obtain an appropriate level of assurance by adding monitory controls to the payroll functions performed by the third party.

**Officials' Response:** As of 4-1-06 Clerk-Treasurer checks payroll for accuracy & completion.

**FINDING NUMBER 2005-008**

**Reportable Condition**

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or expectations (including significant compliance exceptions), investigate underlying causes and take corrective action. We noted areas for which monitoring controls performed by management should be established. During 2004, there was no documented review and approval of:

- Monthly bank reconciliations
- Monthly financial reports
- Monthly fund balances
- Budget-to-actual statements

Without review and approval of the monthly reconciliations and reports incorrect amounts may not be detected and could result in negative fund balances. By having a system in place for review and approval, errors and discrepancies can be noted and corrected in a timely manner.

An effective monitoring control system should be implemented to assist management in detecting material misstatements in financial information. This would include the Council reviewing and approving monthly financial reports, bank reconciliations, fund balances, and budget-to-actual data. Reviewing monthly reports allows Council to evaluate the budget and the efficiency of the departments. These reviews and approvals should be noted in the minutes of Council.

**Officials' Response:** As of 4-1-06 to present these documents are provided to council for review and approval monthly.



**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	We were unable to recalculate gross payroll for three employees due to a lack of documentation in their personnel.	Yes	
2003-002	The Village had various deficiencies in the minutes	No	Partially Corrected. Finding has been reissued as part of Finding No. 2005-008.
2003-003	The Village had numerous deficiencies in the payroll cycle.	No	Not Corrected. Finding has been reissued as Finding No. 2005-007.
2003-004	The Village had deficiencies in the maintenance of accounting records	No	Not Corrected. Finding has been reissued as Finding No. 2005-002.
2003-005	The Village was unable to locate all invoices	No	Not Corrected. Finding has been reissued as Finding No. 2005-001.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF NEWTONSVILLE**

**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  
NOVEMBER 20, 2007**