



Mary Taylor, CPA
Auditor of State

VILLAGE OF MAINEVILLE
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	21

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Mary Taylor, CPA
Auditor of State

Village of Maineville
Warren County
8188 St. Route 48
Maineville, Ohio 45039

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.

Mary Taylor

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Auditor of State

May 20, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Maineville
Warren County
8188 St. Route 48
Maineville, Ohio 45039

To the Village Council:

We have audited the accompanying financial statements of Village of Maineville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. 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.

The Village did not provide sufficient evidence supporting traffic citations issued by the Village police for Mayor's Court during 2006 and 2005, which are recorded as other non-operating receipts in the Agency Fund and as fines, licenses, and permits in the General Fund. Without a full accountability over the citations issued, we could not assure ourselves regarding the validity of the Mayor's Court receipts or satisfy ourselves regarding the validity of the receipts through other auditing procedures. Mayor's Court receipts represent 100% of the receipts recorded in the Agency Fund Type and accounted for 7% and 6% of total receipts collected by the Village's General Fund during 2006 and 2005, respectively.

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 years ended December 31, 2006 and 2005 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, 2006, and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, except for adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amount recorded as other non-operating receipts in the Agency Fund and as fines, licenses, and permits in the General Fund, 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 May 20, 2008, 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

May 20, 2008

VILLAGE OF MAINEVILLE
WARREN COUNTY

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

	<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>	
Cash Receipts:					
Property and Other Local Taxes	\$26,086	\$11,924	\$0	\$0	\$38,010
Municipal Income Tax	246,787	0	0	0	246,787
Intergovernmental	15,514	66,629	0	0	82,142
Charges for Services	55,397	0	0	0	55,397
Fines, Licenses and Permits	24,972	3,290	0	0	28,262
Earnings on Investments	3,520	468	0	0	3,988
Miscellaneous	6,431	1,150	0	0	7,581
Total Cash Receipts	<u>378,705</u>	<u>83,461</u>	<u>0</u>	<u>0</u>	<u>462,167</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	98,760	1,737	0	0	100,497
Public Health Services	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Environment	4,947	0	0	0	4,947
Basic Utility Services	55,076	0	0	0	55,076
Transportation	0	78,313	0	0	78,313
General Government	102,555	1,940	0	0	104,495
Debt Service:					
Principle Payment	23,917	0	0	0	23,917
Interest and Other Fiscal Charges	2,671	753	0	0	3,425
Total Cash Disbursements	<u>287,926</u>	<u>82,743</u>	<u>0</u>	<u>0</u>	<u>370,669</u>
Total Receipts Over/(Under) Disbursements	<u>90,780</u>	<u>718</u>	<u>0</u>	<u>0</u>	<u>91,498</u>
Other Financing Receipts/(Disbursements):					
Other Financing Sources				33,620	33,620
Other Financing (Uses)				(34,103)	(34,103)
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(483)</u>	<u>(483)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>90,780</u>	<u>718</u>	<u>0</u>	<u>(483)</u>	<u>91,015</u>
Fund Cash Balances, January 1	<u>256,671</u>	<u>140,708</u>	<u>10,002</u>	<u>4,348</u>	<u>411,729</u>
Fund Cash Balances, December 31	<u><u>\$347,451</u></u>	<u><u>\$141,426</u></u>	<u><u>\$10,002</u></u>	<u><u>\$3,865</u></u>	<u><u>\$502,744</u></u>
Reserve for Encumbrances, December 31	<u><u>\$1,342</u></u>	<u><u>\$15,250</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$16,591</u></u>

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

VILLAGE OF MAINEVILLE
WARREN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts:					
Property and Other Local Taxes	\$26,387	\$7,035	\$0	\$0	\$33,422
Municipal Income Tax	216,428	0	0	0	216,428
Intergovernmental	16,299	86,078	11,855	0	114,232
Charges for Services	26,645	75	0	0	26,720
Fines, Licenses and Permits	20,971	1,670	0	0	22,641
Earnings on Investments	1,128	559	0	0	1,687
Miscellaneous	3,710	4,300	0	0	8,010
Total Cash Receipts	311,567	99,717	11,855	0	423,140
Cash Disbursements:					
Current:					
Security of Persons and Property	110,375	0	0	0	110,375
Leisure Time Activities	0	239	0	0	239
Community Environment	4,319	0	0	0	4,319
Basic Utility Services	44,864	0	0	0	44,864
Transportation	0	76,000	0	0	76,000
General Government	100,906	0	0	0	100,906
Capital Outlay	0	0	16,019	0	16,019
Debt Service:					0
Principle Payment	15,085	0	0	0	15,085
Interest and Other Fiscal Charges	2,610	736	0	0	3,346
Total Cash Disbursements	278,158	76,975	16,019	0	371,152
Total Receipts Over/(Under) Disbursements	33,409	22,742	(4,164)	0	51,987
Other Financing Receipts/(Disbursements):					
Sale of Bonds	23,000	0	0	0	23,000
Transfers-In	0	500	0	0	500
Transfers-Out	(500)	0	0	0	(500)
Other Financing Sources	0	0	0	25,494	25,494
Other Financing Uses	0	0	0	(21,499)	(21,499)
Total Other Financing Receipts / (Disbursements)	22,500	500	0	3,995	26,995
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	55,909	23,242	(4,164)	3,995	78,982
Fund Cash Balances, January 1	200,762	117,466	14,166	353	332,747
Fund Cash Balances, December 31	<u>\$256.671</u>	<u>\$140.708</u>	<u>\$10.002</u>	<u>\$4.348</u>	<u>\$411.729</u>
Reserve for Encumbrances, December 31	<u>\$426</u>	<u>\$34</u>	<u>\$24.103</u>	<u>\$0</u>	<u>\$24.564</u>

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Maineville, Warren County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, park operations (leisure time activities) and significant amounts spent for Security of persons and property. In 2005, the Village established a Police Department to provide security of persons and property.

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

B. Accounting Basis

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

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

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

During the fiscal years 2006 and 2005, the Village's funds were deposited in a "Now" checking account and invested in certificates of deposit with a local commercial bank. The Village values its' 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. 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 funds

Ohio Public Works Fund - This fund is used to record the related receipts and expenditures of benefits received for state grant for road projects.

4. Fiduciary Funds (Agency Fund)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for

Maineville Mayor's Court Fund – This fund is used to account for monies received and disbursed for licenses, fines and permits collected by the Mayor's Court.

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 level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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 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:

	2006	2005
Demand deposits	\$390,612	\$326,965
Certificates of deposit	112,132	84,764
Total deposits	\$502,744	\$411,729

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$312,201	\$378,705	\$66,504
Special Revenue	96,894	83,462	(13,432)
Total	\$409,095	\$462,167	\$53,072

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$319,699	\$289,268	\$30,431
Special Revenue	169,986	97,993	71,993
Total	\$489,685	\$387,261	\$102,424

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$234,378	\$334,067	\$99,689
Special Revenue	115,109	100,718	(14,391)
Capital Projects	0	11,855	11,855
Total	\$349,487	\$446,640	\$97,153

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$336,006	\$279,084	\$56,922
Special Revenue	117,568	77,009	40,559
Capital Projects	0	40,122	(40,122)
Total	\$453,574	\$396,215	\$57,359

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The Village contracts with the Regional Income Tax Authority (RITA) for the purpose of administering the tax laws of the Village and collecting income taxes on behalf of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Municipal Building Notes	\$32,054	5.6%
General Obligation Bond (Police Cruiser)	<u>\$12,403</u>	4.2%
Total	<u><u>\$44,457</u></u>	

The Municipal Building Note proceeds were used for the purchase of real property to house municipal operations. The note will be repaid in annual installments of \$6,261, including interest, over 30 years. The note is uncollateralized.

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

Year ending December 31:	<u>Municipal Building Notes</u>	<u>General Obligation Bonds</u>
2007	\$6,261	\$4,924
2008	6,261	4,924
2009	6,261	3,542
2010-2013	<u>19,997</u>	<u>0</u>
Total	<u><u>\$38,780</u></u>	<u><u>\$13,391</u></u>

7. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

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.

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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 Maineville
Warren County
8188 St. Route 48
Maineville, Ohio 45039

To the Village Council:

We have audited the financial statements of the Village of Maineville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 20, 2008, wherein we noted that the Village did not provide sufficient evidence supporting traffic citations issued by the Village police for Mayor's Court during 2006 and 2005, which are recorded as other non-operating receipts in the Agency Fund and as fines, licenses, and permits in the General Fund. We also noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-005 thru 2006-008.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-003 and 2006-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 20, 2008.

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 2006-001 thru 2006-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 20, 2008.

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



Mary Taylor, CPA
Auditor of State

May 20, 2008

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Finding for Recovery

Cash Collections

Ohio Traffic Rule 13(A) states, in part, that each court shall establish a traffic violations bureau. The court shall appoint its clerk as violations clerk. Fines and costs shall be paid to, received by and accounted for by the violations clerk.

Ms. Sharon Strunk, Mayor's Court Clerk, and other persons of the Maineville Police Department provided a receipt to the defendants paying their fines at the Village Municipal Building. At the end of the day, Ms. Strunk prepared a deposit slip and deposited the monies into the Mayor's Court bank account. The Clerk did not print out a daily cash book or reconcile the cash received per the CAPIAS system to the amount deposited.

By reconciling the supporting documentation provided by the bank for each deposit, to the CAPIAS Rebuild spreadsheet completed by the village, and detailing 100% of the payments received each month by the Mayor's Court, we identified the following discrepancies:

- The amount of cash deposited for three deposits did not agree to the cash collected per the CAPIAS system, due to checks written for additional fees order by the Magistrate, collected but not posted to the system. These receipts were substituted for cash payments on other cases. The variance was \$110 of cash collected and not deposited.
- We noted 3 instances where the cash received, but was never deposited to the bank. The amount of these receipts totaled \$580.
- We also noted 8 instances where a receipt was issued to the payee, but we were unable to locate a corresponding case and bank deposit. These instances resulted in \$1,785 in payments received but not deposited.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$2,475 against Sharon Strunk, former Mayor's Court Clerk, and her bonding company, Cincinnati Insurance Company, jointly and severally, for public monies collected but unaccounted for, and in favor of the Village of Maineville, Mayor's Court.

Upon collection of the finding for recovery amount listed above, the Mayor's Court should calculate and remit that portion owed to the State of Ohio and the Village.

**FINDING NUMBER 2006-001
(Continued)**

Official's Response:

The Village did not respond to this Finding.

FINDING NUMBER 2006-002

Noncompliance Citation

Missing and Incomplete Final Case Information Sheets and Case files

Ohio Rev. Code, Section 149.351(A), provides that no public record shall be removed 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. Of the 306 cases we reviewed, we could not locate 207 or 68% of the final case information sheets during testing. One way to substantiate the amount ordered to pay by the Magistrate is to maintain complete final case information sheets which contain the Magistrate's signature, ticket number, information relating to the defendant and, violation, and notes relating to plea information, fines and fees assessed by the Magistrate. Also, we noted that the village received 8 receipts totaling \$1,785, where we were not able to find a related case.

We recommend the Village of Maineville Mayor's Court maintain complete and updated final case information sheets to substantiate the amount ordered by the magistrate, and to retain case files for all defendants.

Official's Response:

The Village did not respond to this Finding.

FINDING NUMBER 2006-003

Noncompliance Citation and Material Weakness

Maintenance of Court Records

Ohio Rev. Code, Section 1905.01(F), states that "in keeping a docket and files, the mayor, and a mayor's court magistrate appointed under section 1905.05 of the Revised Code, shall be governed by the laws pertaining to county courts." Ohio Rev. Code Section 1907.20 (B) provides general provisions regarding county court administration and states, in pertinent part, that the clerk shall file and safely keep all journals, records, books and papers belonging or appertaining to the court, record its proceedings, perform all other duties that the judges of the court may prescribe, and keep a book showing all receipts and disbursements, which shall be open for public inspection at all times.

We noted the following instances of noncompliance:

- The Court did not maintain a Daily Cashbook Report to reflect all receipts issued for that day.
- The Court did not consistently maintain original copies of the Magistrate's dockets.
- The Court did not maintain the original copies of the duplicate computerized receipts.
- The Court did not maintain copies all of the original voided receipts.

**FINDING NUMBER 2006-003
(Continued)**

In addition, because Mayor's Courts are also "violations bureaus" pursuant to Ohio Traffic Rule 13(A), Mayor's Courts are also subject to statutory provisions covering traffic "violations bureaus." Ohio Traffic Rule 13(E) states that "all cases processed in the violations bureau shall be numbered and recorded for identification and statistical purposes. In any statistical reports required by law, the number of cases disposed of by the violations bureau shall be listed separately from those disposed of in open court." We noted that the Mayor's Court did not issue any of the statistical reports required by law.

We recommend the Court maintain its records as required by the laws given above. This will ensure the Court can efficiently and properly function as well as provide the public with an opportunity to accurately view the Court's records at any time.

Official's Response:

The Village did not respond to this Finding.

FINDING NUMBER 2006-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code, Section 733.28, requires that the village clerk keep the books of the village, and exhibit accurate statements of all moneys received and expended.

In addition, **Ohio Admin. Code, Section 117-2-02(A)**, requires that public offices shall maintain an accounting system and accounting records sufficient to enable the public office 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.

The Village ledgers were not maintained accurately with several instances where receipts and disbursements were not properly classified:

- In FY 2006 and 2005, permissive motor vehicle license tax revenue in the amount of \$11,924 and \$7,035, respectively, was posted to the Street and Highway and State Highway funds instead of the Permissive Motor Vehicle License fund;
- In FY 2006 and 2005, a portion of the motor vehicle license tax received from the county was posted as taxes instead of intergovernmental revenue;
- In FY 2006 and 2005, the personal property exemption was recorded as taxes instead of intergovernmental;
- In FY 2006 and 2005, homestead and rollback revenue was recorded as taxes instead of intergovernmental;
- In FY 2005, OPWC funds in the amount of \$11,855 was posted to Special Assessments instead of Intergovernmental Revenue;
- In FY 2006 and 2005, Debt Service payments both Principal and Interest were posted as General Government expenditures instead of Principal and Interest payments.

**FINDING NUMBER 2006-004
(Continued)**

As a result of these errors among other, receipts and disbursements for certain line items and funds were incorrectly reported on the Annual Report. Significant reclassifications and adjustments were made to individual line items and funds on the financial statements. We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in properly reflected the Village's financial activity in the annual report.

We recommend the Village Clerk-Treasurer accurately maintain the Village's accounting records in accordance with the Ohio Admin. Code Section 117-2-02(A) and utilize the Village Officers Handbook as additional guidance.

Official's Response:

The Village did not respond to this Finding.

FINDING NUMBER 2006-005

Significant Deficiency

Internal Controls

Internal Controls are necessary to detect possible fraud and misstatement relating to Mayor's Court Cash Receipts. Few internal controls were noted to be in operation for the collection of Mayor's Court receipts. This creates an environment in which fraud and accounting errors could remain undetected. The following internal control deficiencies over the collection of Mayor's Court receipts were noted:

- There was no segregation of duties for the Mayor's Court. The Mayor's Court Clerk handled all the financial record keeping of the court which includes receipting and depositing of the court's monies.
- Deposits were not made timely; deposits were sporadically made during the month. Once the deposits were prepared they were not stored in a secure location prior to deposit with the bank. Cash amounts and checks were not always broken out on the Mayor's Court deposit slips.
- Three Personal checks totaling \$530, were cashed out of the Mayor's Court cash drawer for Mayor's Court Clerk.

To improve accountability over Mayor's Court revenues and reduce the chance of errors occurring and not being detected, the Village should adopt policies and procedures for the collection of Mayor's Court receipts including the following procedures:

- Procedures should be established that provide an adequate segregation of duties. These procedures could include a detailed assignment of specific duties pertaining to one area (i.e. depositing, receipting, reconciling), periodic spot checks by someone independent of a specific function, and periodic spot checks by officials to assure that proper procedures are followed by employees.
- Deposit slips should indicate the cash amount and list the checks included in the deposit and their amounts. Deposits should be made within 24 hours of receipt, and receipts not deposited, should be safeguarded to prevent misappropriation of funds.

Personal checks should not be cashed from the Mayor's Court cash drawer.

**FINDING NUMBER 2006-005
(Continued)**

Official's Response:

The Village did not respond to this Finding.

FINDING NUMBER 2006-006

Significant Deficiency

Ticket Accountability

Ticket accountability is important to ensure completeness of the total population, and allowing for periodic reconciliation of tickets received from officers. On a daily basis, the Mayor's Court Clerk received tickets issued by the Village of Maineville Police Department to enter into the Court computer system. Once these tickets were entered, case files were created and the tickets were filed. No reconciliation of the tickets received from the officers to the tickets entered into the system was performed. By not doing so, there is the possibility that a ticket is issued but not recorded in the system. This could ultimately lead to fines not being collected by the Court.

We recommend on a periodic basis an independent individual reconcile the tickets received by the Court from the Maineville Police Department to the tickets entered into the Court computer system to ensure all tickets were entered into the Court computer system. We also recommend that the tickets remain in a central location, so they can be easily accessed during the reconciliation process.

Official's Response: The Village did not respond to this Finding.

FINDING NUMBER 2006-007

Significant Deficiency

Ticket Issuance

Ticket logs and ticket books are necessary to accurately reflect the tickets signed out by the officers. The Village of Maineville Mayor's Court did not maintain a ticket log. As a result, we were not able to account for all ticket numbers that would have sequentially been issued during the audit period. By not being able to account for all the ticket numbers, the Court is unable to verify all fines and fees due to the Court were collected.

We recommend the Mayor's Court Clerk maintain and review a ticket issuance log on a periodic basis to verify that the log accurately reflect the tickets signed out by the officers. If the log is incomplete, the Mayor's Court Clerk should contact the Police Chief to identify which officer removed the tickets from the Court without notice.

Official's Response:

The Village did not respond to this Finding.

FINDING NUMBER 2006-008

Significant Deficiency

Voided Tickets

Procedures relating to voided tickets are necessary to account for all tickets issued to officers and those returned to the Court. We identified several instances where traffic tickets were voided by the Court or the Maineville Police Department. The Court does not have procedures to be followed when recording the voiding of traffic tickets. Inconsistent procedures in processing voided tickets could result in the inability to account for all tickets issued to officers and those returned to the Court.

We recommend that officers return the voided ticket numbers to the Court and the Court maintain them in their records. We recommend the Court enter all the voided tickets into the computer to improve accountability for all tickets issued to officers.

Official's Response:

The Village did not respond to this Finding.

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	<p>Ohio Revised Code § 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.</p>	No	Partially Corrected. Reissued in the 2006-2005 management Letter.
2004-002	<p>Ohio Revised Code Section 5705.41(B), Expenditures exceeded appropriations in two funds.</p>	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF MAINESVILLE

WARREN 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
JUNE 12, 2008**