



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILLVILLE
BUTLER COUNTY

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Mary Taylor, CPA
Auditor of State

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 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 31, 2008

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Mary Taylor, CPA

Auditor of State

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, 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.

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, 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, Ohio, as of December 31, 2006 and 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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

October 31, 2008

**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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$19,701	\$2,609	\$22,310
Intergovernmental	70,977	14,703	85,680
Fines, Licenses and Permits	8,439	0	8,439
Earnings on Investments	19,460	5,171	24,631
Miscellaneous	38,060	0	38,060
	<u>156,637</u>	<u>22,483</u>	<u>179,120</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	6,530	7,000	13,530
Public Health Services	1,462	0	1,462
Community Environment	628	0	628
Basic Utility Service	2,280	0	2,280
Transportation	0	20,936	20,936
General Government	64,041	0	64,041
	<u>74,941</u>	<u>27,936</u>	<u>102,877</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	81,696	(5,453)	76,243
Fund Cash Balances, January 1	<u>392,632</u>	<u>138,153</u>	<u>530,785</u>
Fund Cash Balances, December 31	<u>\$474,328</u>	<u>\$132,700</u>	<u>\$607,028</u>
Reserve for Encumbrances, December 31	<u>\$17,983</u>	<u>\$25</u>	<u>\$18,008</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, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$18,956	\$3,741	\$22,697
Intergovernmental	32,728	37,477	70,205
Fines, Licenses and Permits	8,009	0	8,009
Earnings on Investments	9,260	3,082	12,342
Miscellaneous	90,653	11,184	101,837
Total Cash Receipts	<u>159,606</u>	<u>55,484</u>	<u>215,090</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	54,513	21,789	76,302
Public Health Services	2,129	0	2,129
Transportation	0	17,968	17,968
General Government	24,464	0	24,464
Total Cash Disbursements	<u>81,106</u>	<u>39,757</u>	<u>120,863</u>
Total Receipts Over Disbursements	78,500	15,727	94,227
Fund Cash Balances, January 1	<u>314,132</u>	<u>122,426</u>	<u>436,558</u>
Fund Cash Balances, December 31	<u>\$392,632</u>	<u>\$138,153</u>	<u>\$530,785</u>
Reserve for Encumbrances, December 31	<u>\$2,114</u>	<u>\$192</u>	<u>\$2,306</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, 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 Millville, Butler County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance through a road contract with Ross Township. 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. 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 Deposits

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and deposits 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:

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

FEMA Fund – This fund receives grant money from an Assistance to Firefighters Grant.

VILLAGE OF MILLVILLE
BUTLER COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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. 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 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 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:

	2006	2005
Demand deposits	\$568,912	\$493,690
Certificates of deposit	38,116	37,095
Total deposits	<u>\$607,028</u>	<u>\$530,785</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, 2006 AND 2005
(Continued)**

2. Equity in Pooled Cash and Deposits (Continued)

At December 31, 2005, \$397,464 was not collateralized and at December 31, 2006, \$470,239 was not collateralized contrary to Ohio law.

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	\$94,099	\$156,637	\$62,538
Special Revenue	15,400	22,483	7,083
Total	\$109,499	\$179,120	\$69,621

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$272,714	\$92,924	\$179,790
Special Revenue	152,216	27,961	124,255
Total	\$424,930	\$120,885	\$304,045

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,667	\$159,606	\$63,939
Special Revenue	14,200	55,484	41,284
Total	\$109,867	\$215,090	\$105,223

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,100	\$83,220	\$18,880
Special Revenue	135,444	39,949	95,495
Total	\$237,544	\$123,169	\$114,375

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the FEMA fund by \$21,789 for the year ended December 31, 2005. Also contrary to Ohio law, at December 31, 2005, budgetary expenditures exceeded appropriation authority at the legal level of control in the General Fund, Operating Supplies and Materials by \$16,838.

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

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. Retirement Systems

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's 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.

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. 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 2005 totaling \$17,726. 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 title for all of the fire equipment was held by the Village. The Village purchased equipment during 2005 and physicals for fire fighters during 2006. At December 31, 2006 the Fire Association had an unaudited cash balance of \$22,065.

VILLAGE OF MILLVILLE
BUTLER COUNTY

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

8. Other Material Noncompliance

Contrary to Ohio law, the Village did not maintain complete minute records.

Contrary to Ohio law, the Village did not maintain a sufficient accounting system or integrate budgetary accounts into the financial accounting system.

Contrary to Ohio law, the Village did not design an adequate system of internal control.

Contrary to Ohio law, the Village did not maintain adequate security for bank deposits.

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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 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, 2006 and 2005, and have issued our report thereon dated October 31, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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. 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 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 opinions 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 deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001, 2006-003 and 2006-005.

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 findings number 2006-003 and 2006-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 31, 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 through 2006-006.

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 October 31, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

October 31, 2008

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance/Significant Deficiency

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 clerk is attached thereto. The clerk 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 encumbrances. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

A. "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 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.

B. 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. 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.

C. 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.

The Village did not properly certify the availability of funds for purchase commitments for fourteen of twenty-six (54%) expenditures tested in 2005 and for fifteen of twenty-seven (56%) expenditures tested in 2006 and none of the exceptions above applied. The Village did not have procedures in place to ensure compliance with this section of law. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village Clerk certify that 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 a 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 also post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2006-002

Noncompliance

Ohio Rev. Code, Sections 121.22(C) and 149.43, when read together impose a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection.

We noted the following issues in the Village minutes:

- The Village did not maintain the minute records for the following meetings: March 2005, April 2005, October 2006, November 2006 and December 2006.
- The Village Clerk did not sign the minutes.
- The Mayor did not sign nine of twelve minutes records in 2005, nor did he sign any of the minute records from 2006.
- The Village Council did not read and approve minutes from the prior meetings for three of twelve meetings in 2005.
- The Village's meeting minutes were unbound and were in no particular order.
- The Village did not document decisions concerning bill payments and monthly reconciliations.

The Village did not have procedures in place to ensure compliance with this section of law. In as much as the Village Council speaks through its minutes, all actions of the Village should be documented in the minute records with as much detail as possible, and with proper and accurate reference to supporting documentation. Without proper authorization, illegal transactions or payments could occur without the knowledge of the Village officials. Also, these records will provide management with the needed future references for informed decision making, and should be available for the public inspection of legislative decisions of the Village Council.

FINDING NUMBER 2006-003

Noncompliance/ Material Weakness

Ohio Rev. Code, Section 733.28, states that the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

Ohio Admin. Code, Section 117-2-02(A), states that all 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 required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code, Section 117-2-02(C)(1), further specifies that all public offices should integrate the budgetary accounts at the legal level of control or lower, into the financial accounting system.

Ohio Admin. Code, Section 117-2-02(D), explains that the accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transactions.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund. Also, the receipts ledger should integrate ongoing and timely information on unrealized budgetary receipts.
3. Appropriations ledger, which assembles and classifies disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. Also, the appropriations ledger should provide ongoing and timely information on remaining uncommitted balances of appropriations.

We noted the following items based on the review of the Village's financial records and bank statements:

- Village stopped receiving payments from the Auditor of State via electronic funds transfer during the audit period. This resulted in the Village not recording \$13,659 in receipts from the Auditor of State in 2005 and 2006 until 2007.
- Accounting records were in disarray, making it difficult to find support for items in the UAN accounting system.

The financial statements also included the following errors requiring adjustment or reclassification.

The Village posted:

- Cable franchise fees in the amount of \$8,008 as special assessments during 2005 instead of fines, licenses and permits.
- The sale of fire equipment in the amount of \$35,000 as charges for services during 2005 instead of miscellaneous.
- A refund from the Auditor of State for audit costs in the amount of \$344 in the SCM&R and State Highway funds instead of General Fund during 2005.
- Gasoline tax distribution allocation in the amount of \$275.29 in the SCMR fund instead of the State Highway fund during 2005.

FINDING NUMBER 2006-003
(Continued)

- A donation in the amount of \$11,184 from the Millville Fire Department as intergovernmental revenue rather than miscellaneous revenue during 2005.
- Permissive motor vehicle license tax receipts in the amount of \$2,553 in the General fund rather than the Permissive Motor Vehicle fund during 2006.
- Homestead and rollback in the amount of \$1,224 recorded as property and other local taxes during 2006.

Additionally,

- The Village recorded \$463 more interest on their certificate of deposit than was actually received during 2005 and the Village failed to record \$1,021 in interest received on their certificate of deposit during 2006.
- The Village failed to post amounts listed on the Certificates of Estimated Resources and on the Appropriation Resolution to their UAN accounting system.
- The Auditor of State originally determined the Village's records to be unauditible because the Village did not present ledgers and supporting documentation for audit.

The Village adjusted the financial statements to reflect the proper postings of incorrect receipts. The Village did not have procedures in place to ensure compliance with this section of law. Failure to accurately prepare and reconcile the accounting records could: 1) reduce the accountability over Village funds, 2) reduce the Village Council's ability to monitor financial activity and make informed financial decisions, 3) increase the likelihood that moneys will be misappropriated and not detected, and 4) increase the likelihood that the Village's financial statements will be misstated.

Furthermore, the small size of the Village does not allow for adequate segregation of duties. The Clerk performs all the financial record keeping including receipt, depositing, check writing and posting. This increases the risk of diversion of funds and the Village Council not detecting bookkeeping errors in a timely manner.

We recommend the Clerk accurately maintain the Village's accounting records in accordance with the uniform accounting system prescribed by the Auditor of State. The Clerk should post amounts listed on the official budgetary documents to the UAN accounting system. The Village should maintain adequate supporting documentation of all receipts and expenditures.

Additionally, 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. The minutes should document the Council's approval of these reports

FINDING NUMBER 2006-004

Noncompliance

Ohio Rev. Code, Section 5705.41(B), provides that no taxing authority shall make any expenditures of money unless it has been properly appropriated. Due to incorrectly allocating appropriations between line items, the Village had total expenditures exceeding appropriations by \$16,838 at the legal level of control within the General fund in the line item Operating Supplies and Materials at December 31, 2005. In addition, the Village had expenditures plus outstanding encumbrances exceeding appropriations by \$21,789 in the FEMA Grant fund at December 31, 2005 because the Village did not amend appropriations, and did not have procedures in place to ensure compliance with this section of law.

We recommend that the Village consistently deny any payment request which would result in a fund's expenditures exceeding appropriations. Where necessary, the Village should approve increased expenditure levels by amending appropriations.

FINDING NUMBER 2006-005

Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-01(A), states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices.

Ohio Admin. Code, Section 117-2-01(D), states that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The Village did not have adequate control procedures over the operation of the non-payroll and payroll disbursements process. We noted the following:

- Village paid an additional \$300 over the monthly cell phone plan during July 2006 for the street commissioner's use.
- In 2005 and 2006, Village had unknown bank reconciliation adjustments in the amount of (\$769) and \$402, respectively. The Village had several disbursement checks listed as outstanding on bank reconciliations that were outstanding for more than six months.
- Village Council stopped approving the Clerk's monthly cash reconciliations in February 2006.

FINDING NUMBER 2006-005
(Continued)

- Village began manually writing disbursement warrants in 2005. Village policy requires at least three council members sign manually written warrants. Three of 40 warrants selected for testing over the disbursement process for which at least three council members did not sign the warrant.
- Credit cards assessed late fees and finance charges as a result of late payments in the amount of \$55.
- A collection agency contacted the Village concerning an overdue invoice in the amount of \$493. The Village was unaware of the invoice until the collection agency made contact.
- The Village does not maintain supporting documentation for hall rental receipts such as who rented the hall, for how long and amounts paid for the rental to support rentals of the Village hall.
- The Village did not maintain documentation of the status of an employee who was considered exempt from PERS for 2005 and for 2006.
- Employee personnel files did not contain all necessary information, including hiring authorization, position and authorized salary rate.
- The Village did not remit federal tax withholdings to the Internal Revenue Service in a timely manner. The Village did not pay the second and third quarter remittances for 2006 to the Internal Revenue Service until January 2007.
- Time paid did not always agree to the hours on the timesheet resulting in an overpayment of \$31 for the Clerk and an underpayment of \$19 to an employee.
- The payroll ledger had numerous footing/cross-footing errors. For 2006, the Village did not maintain a complete payroll ledger.
- For the June 30, 2005 payroll, the Village deducted Medicare at a rate of 14.5% instead of 1.45%.
- Timesheets do not document any supervisory approval. The Village did not maintain time sheets for the Street Commissioner for April 2005.
- Village paid a penalty to OPERS in the amount of \$2 for late reporting and remittance of withholdings.

Very few internal controls were in operation for the payroll disbursements process, and record keeping was inaccurate and inconsistent. Lack of controls and poor recordkeeping increases the risk that theft, fraud or errors could occur and the Village Council not detecting the errors in a timely manner. We recommend the Clerk accurately maintain payroll records. The Village should adopt procedures to properly monitor the Village's payroll disbursements.

FINDING NUMBER 2006-006

Noncompliance

Ohio Rev. Code, Section 135.12, provides that each governing board shall meet every five years for the purpose of designating the public depositories of the public moneys of the subdivision and shall designate such public depositories and award the public moneys of the subdivision for the period of five years. Contrary to this section, the Village did not designate depositories within the last five years. We recommend that the Village designate depositories in a timely manner.

**FINDING NUMBER 2006-006
(Continued)**

Ohio Rev. Code, Section 135.18, states that the treasurer of a political subdivision must require the depository to provide security equal to the funds on deposit at all times. Security may consist of federal deposit insurance, surety company bonds, or pledged securities. The Village's depository agreement expired in January 2003 and the Village failed to renew it. FDIC coverage alone did not provide the Village with adequate security for their deposits. The Village was uninsured for \$397,464 in 2005 and for \$470,239 in 2006.

The Village did not have procedures in place to ensure compliance with this section of law. Failure to comply with this law could result in loss of funds without the possibility of recovery. We recommend that the Village Clerk and Village Council review the Ohio Revised Code to determine requirements related to securing funds on deposit and implement procedure accordingly.

We did not receive a response from Officials to these findings.

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**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

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	Revised Code 5705.41(D), failure to properly certify funds	No	Not Corrected. Reissued as Finding 2006-001.
2004-002	Revised Code 5705.09 (F), establishing proper funds.	Yes	
2004-003	Revised Code, 5705.41 (B), expenditures exceeding appropriations.	No	Not Corrected. Reissued as Finding 2006-005.
2004-004	Administrative Code, 117-2-02 (A) and 117-9-01, proper accounting records.	No	Not Corrected. Reissued as Finding 2006-003.
2004-005	Lack of controls over bank reconciliations.	No	Not Corrected. Reissued as Finding 2006-003.
2004-006	Improper posting of receipts, inadequate segregation of duties, prior year audit findings not addressed.	No	Not Corrected. Reissued as Finding 2006-003.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 9, 2008**