



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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 18, 2009

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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, 2008 and 2007. 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.

Except as described in paragraph six, 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

We were unable to obtain sufficient evidence to support the completeness and accuracy of the Hall rental miscellaneous receipts in 2008 and 2007 comprising 9% of the total General Fund cash receipts for 2008 and 16% in 2007, nor were we able to satisfy ourselves of the completeness by other auditing procedures.

Also, in our opinion, except for such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient evidence supporting the Hall rental miscellaneous receipts noted in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Millville, Butler County, Ohio, as of December 31, 2008 and 2007, 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 December 18, 2009, 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

December 18, 2009



**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, 2008**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$19,009	\$5,077	\$24,086
Intergovernmental	32,401	29,379	61,780
Earnings on Investments	8,654	2,430	11,084
Miscellaneous	55,944		55,944
	<u>116,008</u>	<u>36,886</u>	<u>152,894</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	9,218		9,218
Public Health Services	2,151		2,151
Basic Utility Service	853		853
Transportation	6,200	20,016	26,216
General Government	50,326		50,326
	<u>68,748</u>	<u>20,016</u>	<u>88,764</u>
Total Cash Disbursements	<u>68,748</u>	<u>20,016</u>	<u>88,764</u>
Total Receipts Over Disbursements	<u>47,260</u>	<u>16,870</u>	<u>64,130</u>
Fund Cash Balances, January 1	<u>499,960</u>	<u>166,078</u>	<u>666,038</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$547,220</u></b>	<b><u>\$182,948</u></b>	<b><u>\$730,168</u></b>

*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, 2007**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$19,133	\$8,853	\$27,986
Intergovernmental	32,414	34,814	67,228
Special Assessments	3		3
Earnings on Investments	24,194	6,098	30,292
Miscellaneous	69,271		69,271
Total Cash Receipts	145,015	49,765	194,780
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	6,878		6,878
Basic Utility Service	561		561
Transportation	3,173	16,387	19,560
General Government	68,945		68,945
Total Cash Disbursements	79,557	16,387	95,944
Total Receipts Over Disbursements	65,458	33,378	98,836
<b>Other Financing (Disbursements):</b>			
CD Forfeited to Unclaimed Funds	(39,826)		(39,826)
Total Other Financing (Disbursements)	(39,826)	0	(39,826)
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	25,632	33,378	59,010
Fund Cash Balances, January 1	474,328	132,700	607,028
<b>Fund Cash Balances, December 31</b>	<b>\$499,960</b>	<b>\$166,078</b>	<b>\$666,038</b>

*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, 2008 AND 2007**

**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 contracts with Ross Township to receive road maintenance, security of persons and property, and fire protection services.

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 maintains a general checking account.

**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 Fund:

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

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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. Appropriations lapsed at year end for the years ending December 31, 2008 and 2007; however, appropriations were carried over for the year ended December 31, 2006.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 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 deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash and deposits at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$730,168</u>	<u>\$666,038</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, 2008 AND 2007  
(Continued)**

**2. Equity in Pooled Cash and Deposits (Continued)**

At December 31, 2007, \$566,038 of deposits were not insured or collateralized, contrary to Ohio law. The Village's depository agreement expired in January 2003 and the Village did not renew it until January 25, 2008. Therefore, the Village may not have been entitled to the pooled collateral when they did not have a depository agreement with the bank.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$116,008	\$116,008
Special Revenue	0	36,886	36,886
Total	\$0	\$152,894	\$152,894

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,100	\$68,748	\$48,352
Special Revenue	135,444	20,016	115,428
Total	\$252,544	\$88,764	\$163,780

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$145,015	\$145,015
Special Revenue	0	49,765	49,765
Total	\$0	\$194,780	\$194,780

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,983	\$119,383	(\$101,400)
Special Revenue	25	16,387	(16,362)
Total	\$18,008	\$135,770	(\$117,762)

Contrary to Ohio law:

Budgetary expenditures exceeded appropriation authority in the general fund by \$101,400 and in the special revenue funds by \$16,362 for the year ended December 31, 2007.

The Village did not prepare the resolution accepting the amounts and rates in 2007 or 2008.

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

The Village did not prepare the certificate of total amounts available in 2007 or 2008.

The Village did not submit the required documents to receive amended certificates of estimated resources for 2007 or 2008. This also resulted in appropriations exceeding estimated resources in all funds for 2008 (there were no approved appropriations for 2007).

The Village did not formally approve appropriations in 2007.

The Village did not prepare a tax budget in 2007 or 2008.

**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**

**A. Ohio Public Employee Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2008 and 2007, 3 and 5 employees, respectively, of the Village have elected Social Security. The employees' liability is 6.2 percent of wages paid.

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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. 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.

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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, 2008 and 2007, and have issued our report thereon dated December 18, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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 qualified our report because we were unable to obtain sufficient evidence to support the completeness of the General Fund miscellaneous receipts in 2008 and 2007. Except as discussed in the preceding sentence, 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 findings 2008-003, 2008-004, 2008-007 and 2008-008 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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 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. We believe all the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated December 18, 2009.

#### **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 items 2008-001 through 2008-007.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated December 18, 2009.

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

December 18, 2009

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Noncompliance Citation**

**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. 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 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 five of twenty (25%) expenditures tested in 2007 and for six of twenty (30%) expenditures tested in 2008 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 2008-001  
(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 Fiscal Officer 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 Fiscal Officer'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 Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should also post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2008-002**

**Noncompliance Citation**

**Ohio Revised Code, §§ 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: April 2007, August 2007, September 2007, and May 2008.
- We could only locate typed minutes for the October 2008 meetings. The handwritten minutes for 2008 did not contain enough detail to determine what actions Council was taking and portions of the minutes were illegible.
- The Village Fiscal Officer did not sign the minutes.
- The Mayor did not sign the minutes.
- The Village Council did not read and approve minutes from the prior meetings for one meeting in 2007.
- The Village Council did not approve the monthly bills at one meeting in 2007 or four meetings in 2008.
- The Village's meeting minutes for 2007 were unbound and were in no particular order.
- The Village did not document decisions concerning monthly reconciliations.
- We were unable to determine if Council was properly paid in 2007 and 2008 (we could not determine the number of meetings held during the year or who attended what meetings).

**FINDING NUMBER 2008-002  
(Continued)**

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 2008-003**

**Noncompliance Citation / Material Weakness**

**Ohio Revised Code, § 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, § 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, § 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 conditions based on the review of the Village's financial records and bank statements:

- Accounting records were in disarray, making it difficult to find support for items in the 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 bank account cash balance was not properly reconciled to the accounting system's fund balance at year-end 2007 or 2008.

**FINDING NUMBER 2008-003**  
**(Continued)**

- The Village had several disbursement checks listed as outstanding on bank reconciliations that were outstanding for more than one year.
- Check 13209 dated December 12, 2007 to US Postmaster in the amount of \$40.00 and Check 13303 dated April 28, 2008 to Ohio Department of Taxation in the amount of \$30.82 cleared the bank, but then were returned. These items were incorrectly listed on the outstanding check list.
- Village Council does not approve the Fiscal Officer's monthly cash reconciliations.
- The following adjustments were required to reconcile 2006 ending fund balances to 2007 beginning fund balances: the General Fund balance was decreased by \$1,651; the Street Construction Maintenance and Repair (SCMR) Fund balance was increased by \$303; the State Highway Fund balance was decreased \$647; the Permissive Motor Vehicle License Tax (PMVLT) Fund balance was increased by \$2,553.
- The Village did not record or deposit \$10,249 in receipts from the Auditor of State's Office identified in the 2005-2006 audit. These items were also not recorded in 2007 or 2008. This was due to the Village allowing checks from the Auditor of State's Office to become stale-dated.
- The Village did not record or deposit \$9,800 (\$7,010 in 2007; \$2,790 in 2008) in receipts from the Auditor of State's Office. This was due to the Village allowing checks from the Auditor of State's Office to become stale-dated.
- We were provided by the State Office of Budget and Management with a listing of \$3,960 in receipts issued in 2009 from the Auditor of State's Office that have already become stale-dated as of August 12, 2009.
- The Village was unaware that a Village certificate of deposit (CD) in the amount of \$39,826 was sent to unclaimed funds on October 15, 2007. The Auditor of State received a confirmation from the bank on August 11, 2009 indicating a \$0 balance at year-end 2007 and 2008. The Village has not yet recovered these funds. The Village will also forfeit 5% of the CD balance to administrative fees that cannot be waived.
- Exempt personal property tax receipts in the amount of \$140, Senate Bill #3 receipts in the amount of \$320, one intangible tax receipt in the amount of \$325, rollbacks receipts in the amount of \$1,240, and HB 66 receipts in the amount of \$99 were classified as Taxes during 2007 instead of Intergovernmental in the General Fund.
- Gasoline tax and gasoline cents per gallon receipts from the state were not properly allocated between the Street and State Highway Funds during 2007, for a difference of \$2,216 and \$1,106, respectively. Also, there were receipts recorded in which the checks deposited were returned in the amount of \$2,115.
- Permissive auto tax receipts from the state in the amount of \$3,007 were not posted to the proper fund during 2007.

**FINDING NUMBER 2008-003**  
**(Continued)**

- Motor vehicle registration fees receipts from the County were not properly allocated between the Street and State Highway Funds during 2007, for a difference of \$237. All motor vehicle registration fees receipts in the amount of \$5,743 were classified as Taxes during 2007 instead of Intergovernmental.
- Senate Bill #3 receipts in the amount of \$320, rollbacks receipts in the amount of \$3,140, and one HB 66 in the amount of \$107 were classified as Taxes during 2008 instead of Intergovernmental; one personal property tax receipt in the amount of \$21 was classified as Intergovernmental instead of Taxes, all in the General Fund.
- One gasoline cents per gallon receipt from the state was not properly allocated between the Street and State Highway Funds during 2008, for a difference of \$47.
- One motor vehicle registration fees receipt from the County was not properly allocated between the Street and State Highway Funds during 2008, for a difference of \$24.
- All motor vehicle registration fees receipts from the County in the amount of \$5,529 were classified as Taxes during 2008 instead of Intergovernmental.
- The Village failed to record \$663 in interest received on their certificate of deposit during 2007.
- The Village made disbursements totaling \$3,173 from the Street Construction, Maintenance & Repair Fund for street lighting expense during 2007, which is not an allowable expense for this fund.
- The Village made disbursements totaling \$6,200 from the Street Construction, Maintenance & Repair Fund for street lighting expense during 2008, which is not an allowable expense for this fund.

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 Fiscal Officer 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 Fiscal Officer accurately maintain the Village's accounting records in accordance with the uniform accounting system prescribed by the Auditor of State. Outstanding checks which are more than a year old should be voided in the UAN system and sent to unclaimed funds (as appropriate), and removed from the outstanding check list. Returned checks should be voided in the UAN system and removed from the outstanding check list. 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 2008-003  
 (Continued)**

Adjustments were posted to the accompanying financial statements and the Village's accounting records (as appropriate). Failure to properly post revenue and disbursements can result in inaccurate records and cause the Village to misappropriate funds. We recommend that the Village properly post all federal, state, local revenue receipts, and expenditures. Transactions posted to the ledgers should be reviewed for accuracy. Comparisons between years may aid in the determination if a transaction has been properly posted.

**FINDING NUMBER 2008-004**

**Noncompliance Citation / Material Weakness**

**Ohio Admin. Code, § 117-2-02(C)(1)**, states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Village did not properly post appropriations for 2008 to their accounting system:

<b>Fund</b>	<b>Appropriations per Resolution</b>	<b>Appropriations posted to Accounting System</b>	<b>Variance</b>
General	\$117,100	\$124,860	(\$7,760)
Street Maintenance & Repair	125,787	126,787	(1,000)
State Highway	9,657	13,749	(4,092)
Permissive Motor Vehicle	0	5,000	(5,000)
FEMA	0	121	(121)

No appropriations were formally approved in 2007. No certificates of estimated resources were completed in 2007 or 2008. Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. In addition, it could result in a more than inconsequential misstatement on the financial statement budgetary reporting. The official certificates of estimated resources and appropriation resolutions, as well as any amendments, should be promptly and accurately posted to the Village's accounting system. Once posted, the Fiscal Officer should compare the estimated resources and appropriations on the accounting system to the official documents.

**FINDING NUMBER 2008-005**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.28**, requires that on or before July 15, in each year, the taxing authority of each subdivision must adopt a tax budget for the succeeding fiscal year. The Village did not adopt a tax budget for 2007 or 2008. Failure to adopt a tax budget by the required deadline could result in a loss of tax funding. We recommend that the Village adopt a tax budget by the required deadline.

**Ohio Revised Code, § 5705.34**, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and to certify the levies to the County Auditor before October 1. The Village did not approve the tax rate resolution in 2007 or 2008. Failure to properly authorize the necessary tax levies by the required deadline could result in a loss of tax funding. We recommend that the Village pass the necessary resolution by the required deadline. We also reported this matter in the management letter of our audit of the 2005 and 2006 financial statements.



**FINDING NUMBER 2008-005  
 (Continued)**

**Ohio Revised Code, § 5705.36(A)(1)**, requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The Village did not complete certificates of the total amount available for expenditure for 2007 or 2008. Failure to complete said certificates could result in loss of tax funding. We recommend that the Village complete annual certificates of the total amount available for expenditure. We also reported this matter in the management letter of our audit of the 2005 and 2006 financial statements.

**Ohio Revised Code, § 5705.38(A)**, requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. The Village did not approve a permanent appropriation measure for 2007 and appropriations were not submitted to the County Auditor for 2007 or 2008. Failure to adopt permanent appropriations could result in overspending and misappropriation of funds. We recommend the Village annually adopt permanent appropriations and timely submit said appropriation measures to the County Auditor. We also reported this matter in the management letter of our audit of the 2005 and 2006 financial statements.

**Ohio Revised Code, § 5705.41(B)**, provides that no taxing authority shall make any expenditures of money unless it has been properly appropriated. Although the Village did not approve appropriations for 2007, there were outstanding encumbrances carried over from 2006. The Village had total expenditures exceeding appropriations (including prior year outstanding encumbrances) as follows at December 31, 2007:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
General	\$17,983	\$119,383	(\$101,400)
Street Maintenance & Repair	25	15,393	(15,368)
State Highway	0	994	(994)

The Village did not have procedures in place to ensure compliance with this section of law. Failure to limit expenditures by appropriations can result in negative fund balances. 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 2008-005  
 (Continued)**

**Ohio Revised Code, § 5705.39**, provides that total appropriations from each fund shall not exceed the total estimated revenue. At December 31, 2008, appropriations exceeded estimated resources as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
General	\$117,100	\$0	(\$117,100)
Street Maintenance & Repair	125,787	0	(125,787)
State Highway	9,657	0	(9,657)

Failure to limit appropriations to total estimated revenue may result in the Village incurring obligations that exceed their available resources and negative fund balances. We recommend that the Village limit appropriations to the total estimated revenue per fund. We also reported this matter in the management letter of our audit of the 2005 and 2006 financial statements.

**FINDING NUMBER 2008-006**

**Noncompliance Citation / Material Weakness**

**Ohio Admin. Code, § 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 does not have an adopted policy manual nor designed control procedures over the cycles/activities of the Village. The Village lacked adequate controls over the following cycle:

**Hall Rental Receipts**

The Village did not maintain supporting documentation for hall rental receipts such as who rented the hall, for how long and amounts paid for the rental. The Village also did not maintain supporting documentation for festival donations and other miscellaneous receipts. Due to lack of supporting documentation, it could not be determined if the proper rates were charged for hall rentals.

**FINDING NUMBER 2008-006  
(Continued)**

Certain deposits included multiple hall rental and/or festival receipts with no way to identify what made up the deposit. Also, the Village does not use duplicate receipt books. This activity (\$23,277 for 2007 and \$10,388 for 2008) is reflected in the Miscellaneous Cash Receipts line item on the financial statements and comprises 16% and 9%, respectively, of total cash receipts in the General Fund.

The items noted above resulted in an inability to obtain sufficient evidence to support the completeness of miscellaneous receipts, resulting in a qualified opinion on the financial statements.

We recommend that the Village maintain supporting documentation for all types of receipts, including miscellaneous receipts. Rental contracts should be utilized showing who rented the hall, for how long, and the amounts paid for the rental. These contracts should also include rules and/or regulations for renting the hall to reduce liability to the Village.

**FINDING NUMBER 2008-007**

**Noncompliance Citation/Material Weakness**

**Ohio Revised Code, § 135.12(B)**, provides, in part, that each governing board shall meet every five years on the third Monday or such regularly scheduled meeting date of the month next preceding the date of the expiration of its designation of depositories 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.

**Ohio Revised Code, § 135.18(A)**, states that the treasurer before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.. 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 did not renew it until January 25, 2008. FDIC coverage alone did not provide the Village with adequate security for their deposits. Without a depository agreement, the Village may not be eligible for FDIC coverage if the bank should happen to fail. The Village was uninsured for \$567,696 at December 31, 2007.

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 Fiscal Officer and Village Council review the Ohio Revised Code to determine requirements related to securing funds on deposit and implement procedures accordingly.

**Officials' Response to All Findings Above:**

The Village of Millville will provide the clerk with additional training.

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**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

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>
2006-001	ORC § 5705.41(D)(1), failure to properly certify funds	No	Not Corrected – Re-Issued as Finding 2008-001
2006-002	ORC §§ 121.22(C) and 149.43, failure to maintain proper minutes records	No	Not Corrected – Re-Issued as Finding 2008-002
2006-003	ORC § 733.28 and OAC § 117-2-02, failure to maintain proper accounting records	No	Not Corrected – Re-Issued as Finding 2008-003
2006-004	ORC § 5705.41 (B), expenditures exceeding appropriations	No	Not Corrected – Re-Issued as Finding 2008-005
2006-005	OAC § 117-2-01, lack of internal controls	No	Not Corrected – Re-Issued as Finding 2008-006
2006-006	ORC §§ 135.12 and 135.18, failure to designate a depository and secure adequate collateral	No	Partially Corrected – Re-Issued as Finding 2008-007





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  
JANUARY 5, 2010**