



**Auditor of State
Betty Montgomery**

VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Newtonsville
Clermont County
P.O. Box 245
Newtonsville, OH 45158

To the Village Council:

We have audited the accompanying financial statements of the Village of Newtonsville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements present disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify disbursement transactions.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the omission of disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 14, 2003

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Fund Type Agency	
Cash Receipts:					
Property Tax and Other Local Taxes	\$4,409	\$1,260			\$5,669
Intergovernmental Receipts	41,302	22,938			64,240
Fines, Licenses, and Permits	42,878	13,529			56,407
Earnings on Investments	1,537	2,232	1,423		5,192
Miscellaneous	57			66,410	66,467
Total Cash Receipts	90,183	39,959	1,423	66,410	197,975
Cash Disbursements:					
Unclassified	87,109	36,149		65,264	188,522
Total Cash Disbursements	87,109	36,149		65,264	188,522
Total Receipts Over Disbursements	3,074	3,810	1,423	1,146	9,453
Other Financing Receipts:					
Sale of Fixed Assets		1,251			1,251
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	3,074	5,061	1,423	1,146	10,704
Fund Cash Balances, January 1	86,126	76,509	36,476	4,935	204,046
Fund Cash Balances, December 31	\$89,200	\$81,570	\$37,899	\$6,081	\$214,750
Reserves for Encumbrances, December 31	\$70	\$0	\$0	\$0	\$70

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

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Fund Type Agency	
Cash Receipts:					
Property Tax and Other Local Taxes	\$4,418	\$1,321			\$5,739
Intergovernmental Receipts	43,657	11,851			55,508
Fines, Licenses, and Permits	44,517	13,900			58,417
Earnings on Investments	2,160	3,067	2,089		7,316
Miscellaneous	4,861			69,033	73,894
Total Cash Receipts	99,613	30,139	2,089	69,033	200,874
Cash Disbursements:					
Unclassified	81,325	36,801		69,313	187,439
Total Cash Disbursements	81,325	36,801		69,313	187,439
Total Receipts Over/(Under) Disbursements	18,288	(6,662)	2,089	(280)	13,435
Fund Cash Balances, January 1	67,838	83,171	34,387	5,215	190,611
Fund Cash Balances, December 31	\$86,126	\$76,509	\$36,476	\$4,935	\$204,046
Reserves for Encumbrances, December 31	\$180	\$0	\$0	\$0	\$180

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

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Newtonsville, Clermont County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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).

The Village did not classify its disbursements in the accompanying financial statements. This is a material departure from the requirements of the Ohio Administrative Code, Section 117-02-02(A). This Ohio Administrative Code Section require classifying disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

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

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COPS Grant Fund – This fund receives money from the federal government for the employment of additional police officers.

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following capital projects fund:

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

4. Fiduciary Fund (Agency Fund)

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. However, there were no material unrecorded encumbrances at December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2002	2001
Demand deposits	\$176,851	\$167,570
Certificates of deposit	37,899	36,476
Total deposits	\$214,750	\$204,046

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,218	\$90,183	\$1,965
Special Revenue	42,516	41,210	(1,306)
Capital Projects	1,800	1,423	(377)
Total	\$132,534	\$132,816	\$282

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,026	\$87,179	\$61,847
Special Revenue	93,586	36,149	57,437
Capital Projects	38,000	0	38,000
Total	\$280,612	\$123,328	\$157,284

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,470	\$99,613	\$16,143
Special Revenue	33,600	30,139	(3,461)
Capital Projects	1,800	2,089	289
Total	\$118,870	\$131,841	\$12,971

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,897	\$81,505	\$57,392
Special Revenue	103,388	36,801	66,587
Capital Projects	34,000	0	34,000
Total	\$276,285	\$118,306	\$157,979

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Cruiser Replacement and COPS Grant funds by \$11,890 and \$5,945 respectively, for the year ended December 31, 2002. Budgetary expenditures exceeded appropriation authority in the COPS Grant fund by \$3,958 for the year ended December 31, 2001. Contrary to Ohio law, at December 31, 2001 and 2002, the COPS Grant fund had a cash deficit balance of \$10,369 and \$1,107, respectively. Also contrary to Ohio Law, at December 31, 2001, actual receipts were below estimated receipts by \$14,734 and actual disbursements plus encumbrances exceeded actual resources by \$15,813 in the COPS Grant fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Police Cruiser Lease	\$5,822	5.50%

The Police Cruiser lease relates to a lease-purchase agreement entered into on August 20, 2002 with 32 Ford Mercury for a 2003 Ford Crown Victoria Police Sedan. The original lease-purchase amount was \$20,100 which consists of one monthly in advance payment of \$13,000, followed by 22 consecutive monthly in advance payments of \$325.96 each (including interest), followed by one final payment of \$325.94, due under this lease.

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

	Police Cruiser Lease
Year ending December 31:	
2003	\$3,912
2004	2,282
Total	\$6,194

During 2002, the Village retired a police cruiser loan that they used to finance the purchase of a 2000 Ford Crown Victoria Police Sedan.

6. RETIREMENT SYSTEMS

The Village has no full-time employees. All part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Newtonsville
Clermont County
P.O. Box 245
Newtonsville, Ohio 45158

To the Village Council:

We have audited the accompanying financial statements of the Village of Newtonsville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 14, 2003 which was qualified since the Village did not classify disbursements in its financial statements. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2002-001 through 2002-005.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 and 2002-005 through 2002-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-005 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 14, 2003.

This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 14, 2003

VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Material Noncompliance / Reportable Condition - Certification of Funds / Reserve for Encumbrances

Ohio Revised Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

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

Contrary to the above requirement, prior certification was not obtained for 100% of the 2001 and 85% of the 2002 vouchers reviewed and neither of the two exceptions provided for above were utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2002-002

Material Noncompliance - Expenditures exceeding Appropriations

Ohio Revised Code, Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The actual disbursements plus outstanding encumbrances exceeded current year appropriations plus prior year carryovers at December 31 of the indicated year for following funds:

Year	Fund	Appropriations	Expenditures	Variance
2002	Cruiser Replacement	\$6,500	\$18,390	(\$11,890)
2002	COPS	136	6,081	(5,945)
2001	COPS	16,200	20,158	(3,958)

**FINDING NUMBER 2002-002
 (Continued)**

When expenditures exceed appropriations, this could result in the Village having negative fund balances.

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

FINDING NUMBER 2002-003

Material Noncompliance – Negative Fund Balances

Ohio Revised Code, Section 5705.10, states money that is paid into a specific fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. A negative fund balance was noted in the COPS fund in the amount of \$10,369 at December 31, 2001 and \$1,107 at December 31, 2002.

FINDING NUMBER 2002-004

Material Noncompliance – Amended Certificate of Estimated Resources

Ohio Revised Code, Section 5705.36, requires all subdivisions to request reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources, and that expenditures or the incurrence of obligations will be greater than actual resources. The intent of this requirement is to require the fiscal officer to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur. At December 31, 2001, actual receipts were below estimated receipts and actual disbursements plus encumbrances exceeded actual resources in the following fund:

Fund	Estimated Receipts	Actual Receipts	Variance	Expenditures + Encumbrances	Available Resources	Variance
COPS	\$18,500	\$3,766	(\$14,734)	\$20,158	\$4,345	(\$15,813)

FINDING NUMBER 2002-005

Material Noncompliance / Material Weakness – Accounting System

Ohio Revised Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Clerk maintained a cashbook on quicken software. The Clerk also manually posted transactions to a receipt ledger and an appropriation ledger for 2001, but these ledgers were not complete or reconciled monthly to the quicken cashbook. Additionally, budgeted receipts and appropriations for 2001 and 2002 were not entered into the Village's accounting system and a receipt ledger and appropriation ledger was not maintained for 2002. Since the appropriation ledger was not reconciled monthly with the quicken cash book, unclassified expenditures were presented for 2001 and 2002. The receipts are classified by source in the financial statements.

Ohio Administrative Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Administrative Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

**FINDING NUMBER 2002-005
(Continued)**

1. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
2. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
3. Ohio Administrative Code, Section 117-9-01, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village's receipts ledger and appropriation ledger were incomplete and inaccurate. The Village's current system of internal control does not address the need for the accurate posting and updating of the Village's budgetary records and the consistent monitoring of budgetary financial information. The lack of such controls reduces the Village's ability to determine its financial status accurately at any given time and may result in obligations being incurred without the available resources.

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

1. The Village maintain receipt and appropriation ledgers as prescribed by the Ohio Administrative Code.
2. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances.
3. Receipts should be posted by fund and line item, with a running balance maintained. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

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

FINDING NUMBER 2002-006

Internal Control Reportable Condition – Expenditures

The following control weaknesses were noted in the non-payroll disbursement process:

- Invoices were not initialed by the receiver before payment of the invoice. Initialing the invoice represents the goods or services were received; and
- There was no supporting documentation for four expenditures.

These control weaknesses could result in errors or misstatements in the financial records, or the unauthorized purchase of goods or services. We were able to perform alternative auditing procedures to assure that these expenditures were for a proper public purpose. To improve accountability over disbursements, the Village should include in their policies and procedures for purchasing the following:

- Detailed review of the invoice and supporting documentation indicating descriptions of the goods/services received and documentation on the invoice that the goods/services were received.
- All documentation of expenditures should be kept and appropriately filed together with a copy of the check, the invoice, and the purchase order attached and should be filed by check number.

FINDING NUMBER 2002-007

Internal Control Reportable Condition - Minutes

The following deficiencies were found in the Village Council's minute records, ordinance books, and resolution books:

- The financial report, the report of the Clerk-Treasurer, and a list of bills were not attached with the minutes.
- The Mayor's Court report was not shown to the Village Council monthly.
- Resolutions as approved in the minutes did not always match the resolution in the resolution book. Five of sixteen ordinances were not in the ordinance book.
- Four of sixteen ordinances were not signed by a presiding officer and the Clerk of the Council as required by Ohio Revised Code, Section 731.20.

The minutes are the official proceedings of the Village and should document accurately all significant actions taken by the Council. We recommend the following:

- Any reports or lists approved by Council should be attached in the minutes.
- The Council should review the Mayor's Court reports, approve the reports and attach the reports in the minutes.
- Resolutions and ordinances should be reviewed to make sure it was what was approved by Council and they are in their proper books.
- All ordinances and resolutions should be signed by a presiding officer of Council and the Clerk.

FINDING NUMBER 2002-008

Internal Control Reportable Condition - Payroll

The following internal control deficiencies were noted during our testing of payroll expenditures:

- Personnel files are not maintained for employees.
- Withholding forms are completed by the employee and forwarded to the payroll service, but the Village has very few records for its employees.
- Pay rates were not always approved in the minutes.
- One time card and one canceled check could not be located.
- Year to date information could not be obtained for 2001 payroll to determine if the remittance of withholdings was correct.
- Withholdings for PERS were not withheld at the proper rate for three employees in 2002.

The forms and information act as evidence for authorization of withholdings, document membership with a retirement system, and authorization of pay. Withholdings must be retained at the correct rate for the employees to receive the proper benefits. Documentation of remittance of withholdings should be maintained to provide evidence that all withholdings were remitted to the appropriate entities at the appropriate amounts. Therefore, we recommend:

- The Village should keep on file: copies of withholding forms, the hiring authorization including position and salary or rate, the fund to which the salary will be charged, and any changes to pay or position.
- The Village should update their pay schedule, which should include all positions. They should also document all changes in the minute records.
- The Village should retain all supporting documentation related to payroll.
- The Village should retain all necessary payroll reports to verify the accuracy of pay to employees, the amounts withheld, and the withholdings remitted for taxes and retirement.
- The Village and the affected employees should inquire with PERS to determine a solution for the adjustment of the individual accounts.

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**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30413-001	The Village did not maintain a complete, accurate and reliable appropriation ledger.	No	Not Corrected; Finding has been reissued as Finding No. 2002-005.
2000-30413-002	The Village did not properly certify the availability of funds for expenditures before a purchase was made.	No	Not Corrected. Finding has been reissued as Finding No. 2002-001.
2000-30413-003	The Village had expenditures exceeding appropriations.	No	Not Corrected. Finding has been reissued as Finding No. 2002-002.
2000-30413-004	The Village did not record some monies received from the Permanent Motor Vehicle License (MVL) tax in a separate MVL tax fund.	Yes	
2000-30413-005	The Village did not establish procedures to reasonably determine that payroll processing had been completely and accurately processed in accordance with the Village Council requirements.	Yes	
2000-30413-006	The Village did not prepare or complete monthly cash reconciliations for 2002 and 2001.	No	Partially Corrected; The Village prepared monthly cash reconciliations but they did not prepare them in a timely manner. See management letter comment.
2000-30413-007	The Village had numerous deficiencies in the expenditure cycle.	No	Partially Corrected; Part of finding has been reissued as Finding No. 2002-006.



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VILLAGE OF NEWTONSVILLE

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2003**