



**Auditor of State
Betty Montgomery**

VILLAGE OF NEVILLE
CLERMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Neville
Clermont County
P.O. Box 126
Neville, OH 45166

To the Village Council:

We have audited the accompanying financial statements of the Village of Neville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. 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.

The Village's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

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, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and 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 July 21, 2004 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 management, Village Council, and other officials authorized to receive this report under § 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

July 21, 2004

**VILLAGE OF NEVILLE
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,617	\$207	\$0	\$1,824
Intergovernmental Receipts	19,920	1,388	0	21,308
Charges for Services	3,940	0	0	3,940
Earnings on Investments	1,001	85	0	1,086
Miscellaneous	1,186	0	0	1,186
	<u>27,664</u>	<u>1,680</u>	<u>0</u>	<u>29,344</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,936	0	0	1,936
Basic Utility Services	5,596	0	0	5,596
Transportation	0	150	0	150
General Government	26,991	0	0	26,991
	<u>34,523</u>	<u>150</u>	<u>0</u>	<u>34,673</u>
Total Receipts Over/(Under) Disbursements	<u>(6,859)</u>	<u>1,530</u>	<u>0</u>	<u>(5,329)</u>
Fund Cash Balances, January 1	<u>31,213</u>	<u>31,469</u>	<u>137</u>	<u>62,819</u>
Fund Cash Balances, December 31	<u>\$24,354</u>	<u>\$32,999</u>	<u>\$137</u>	<u>\$57,490</u>
Reserves for Encumbrances, December 31	<u>\$3,076</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,076</u>

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

**VILLAGE OF NEVILLE
CLERMONT COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,340	\$201	\$0	\$1,541
Intergovernmental Receipts	26,388	1,585	0	27,973
Charges for Services	3,980	0	0	3,980
Earnings on Investments	1,530	71	0	1,601
Miscellaneous	499	0	0	499
Total Cash Receipts	<u>33,737</u>	<u>1,857</u>	<u>0</u>	<u>35,594</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	2,677	0	0	2,677
Basic Utility Services	5,349	0	0	5,349
Transportation	0	595	0	595
General Government	35,154	0	0	35,154
Total Cash Disbursements	<u>43,180</u>	<u>595</u>	<u>0</u>	<u>43,775</u>
Total Receipts Over/(Under) Disbursements	<u>(9,443)</u>	<u>1,262</u>	<u>0</u>	<u>(8,181)</u>
Other Financing Receipts and (Disbursements):				
Other Financing Uses	(2,058)			(2,058)
Total Other Financing Receipts/(Disbursements)	<u>(2,058)</u>	<u>0</u>	<u>0</u>	<u>(2,058)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,501)	1,262	0	(10,239)
Fund Cash Balances, January 1	42,714	30,207	137	73,058
Fund Cash Balances, December 31	<u>\$31,213</u>	<u>\$31,469</u>	<u>\$137</u>	<u>\$62,819</u>
Reserves for Encumbrances, December 31	<u>\$1,372</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,372</u>

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

**VILLAGE OF NEVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Neville, 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 general governmental service, including public health and welfare. The Village contracts with the Clermont County Sheriff's Department to provide security of persons and property.

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

B. 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).

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.

3. Agency Fund

Funds for which the Village is acting in an agency capacity are classified as agency funds. The FEMA Buy-Out Fund has a balance consisting of unexpended grant monies.

VILLAGE OF NEVILLE
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 appropriated. The Village did not encumber all commitments required by Ohio law. However, the financial statements have been adjusted to include previously unrecorded encumbrances at December 31, 2003 and 2002.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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

	2003	2002
Demand deposits	\$18,195	\$10,524
Certificates of deposit	39,295	52,295
Total deposits	<u>\$57,490</u>	<u>\$62,819</u>

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

**VILLAGE OF NEVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,350	\$27,664	\$1,314
Special Revenue	1,150	1,680	530
Total	\$27,500	\$29,344	\$1,844

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,630	\$37,599	\$30,031
Special Revenue	2,300	150	2,150
Capital Projects	22,295	0	22,295
Fiduciary	137	0	137
Total	\$92,362	\$37,749	\$54,613

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,065	\$33,737	\$672
Special Revenue	1,283	1,857	574
Total	\$34,348	\$35,594	\$1,246

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,338	\$46,610	(\$272)
Special Revenue	4,700	595	4,105
Capital Projects	52,295	0	52,295
Fiduciary	137	0	137
Total	\$103,470	\$47,205	\$56,265

The Village General Fund appropriations exceeded estimated revenue by \$10,069 and \$559 for 2003 and 2002, respectively.

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.

**VILLAGE OF NEVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX (Continued)

Public utilities are also taxed on personal and real property located within the Village.

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 officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

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.



**Auditor of State
Betty Montgomery**

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

Village of Neville
Clermont County
P.O. Box 126
Neville, OH 45166

To the Village Council:

We have audited the accompanying financial statements of the Village of Neville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 21, 2004. The Village's transactions were processed using 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 conduct the audit of the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 are described in the accompanying schedule of findings as item numbers 2003-001 through 2003-003. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 21, 2004.

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 and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item numbers 2003-001 through 2003-003.

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, we do not believe the reportable conditions described above are material weaknesses.

We also noted a matter involving the internal control over financial reporting that does not require inclusion in the report that we have reported to management of the Village in a separate letter dated July 30, 2004.

This report is intended solely for the information and use of 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

July 21, 2004

VILLAGE OF NEVILLE
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Material Noncompliance/Reportable Condition – Certification of Purchase Orders

Ohio Rev. Code, Section 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement 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. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment.

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 previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate; and
- B. If the amount involved is less than one thousand dollars (\$1,000) before April 7, 2003 and \$3,000 after that date, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

The Village did issue purchase orders in 2003 and 2002, however, the Village improperly encumbered 70% of the transactions reviewed. Failure to properly certify the availability of funds can result in overspending and negative cash balances.

Also, our search for unrecorded encumbrances at December 31, 2003 and 2002, noted the Village did not properly encumber General Fund expenditures in 2003 and 2002 in the amounts of \$3,076 and \$1,372, respectively.

We recommend the Village properly utilize the encumbrance method of accounting by certifying the availability of funds. The Village should obtain approved purchase orders, which contain the Clerk/Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2003-002

Material Noncompliance/Reportable Condition – Appropriations exceeded Estimated Revenue Available for Expenditure

Ohio Rev. Code, Section 5705.39, states the total appropriations from each fund should not exceed the total estimated revenue available for expenditure as certified by the budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village's 2003 and 2002 appropriations exceeded estimated revenue in the General Fund by \$10,069 and \$559, respectively.

We recommend the Village Council and the Clerk review all appropriations measures or amended certificates prior to filing with the County Auditor to ensure appropriations do not exceed estimated revenue.

FINDING NUMBER 2003-003

Material Noncompliance/Reportable Condition – Federal and State Income Taxes

The Village did not withhold Federal and State income tax from the compensation of employees.

26 U.S.C. § 3402 as outlined in Publication 15, requires every employer to deduct and withhold from each employee's compensation a federal income tax and to have W-4 Forms on file for all employees. The Village should contact the Internal Revenue Service to determine any necessary action to correct this situation.

Ohio Rev. Code, Section 5747.06 (A), requires every employer to deduct and withhold from each employee's compensation a State income tax and to have IT-4 Forms on file for all employees. The Village should contact the State Income Tax Division, Department of Taxation, to determine any necessary action to correct this situation.

**VILLAGE OF NEVILLE
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30413-001	Revised Code 5705.41(D), failure to certify funds.	No	Not corrected. Reported as a Material Noncompliance/Reportable Condition for Fiscal Years 2003 and 2002 – Finding Number 2003-001.



**Auditor of State
Betty Montgomery**

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VILLAGE OF NEVILLE

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
AUGUST 26, 2004**