



Dave Yost • Auditor of State



VILLAGE OF MILLVILLE  
BUTLER COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Millville  
Butler County  
2860 Ross Hanover Road  
Millville, Ohio 45013

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Millville, Butler County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Basis for Additional Opinion Qualification***

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code § 117-2-02(A) requires governments to classify receipt and disbursement transactions. In addition, the financial statements do not present fund balance classifications in accordance with Governmental Accounting Standards Board Statement 54.

***Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Millville, Butler County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 30, 2014

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Unclassified	52,830	69,353	77,238	199,421
<i>Total Unclassified Cash Receipts</i>	<u>52,830</u>	<u>69,353</u>	<u>77,238</u>	<u>199,421</u>
<b>Cash Disbursements</b>				
Unclassified	93,615	26,799	77,238	197,652
<i>Total Unclassified Cash Disbursements</i>	<u>93,615</u>	<u>26,799</u>	<u>77,238</u>	<u>197,652</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,785)</u>	<u>42,554</u>	<u>0</u>	<u>1,769</u>
<i>Fund Cash Balances, January 1</i>	<u>554,508</u>	<u>191,213</u>	<u>0</u>	<u>745,721</u>
<b><i>Fund Cash Balances, December 31</i></b>	<u><u>\$513,723</u></u>	<u><u>\$233,767</u></u>	<u><u>\$0</u></u>	<u><u>\$747,490</u></u>

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

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Unclassified	64,704	63,654	128,358
<i>Total Unclassified Cash Receipts</i>	<u>64,704</u>	<u>63,654</u>	<u>128,358</u>
<b>Cash Disbursements</b>			
Unclassified	112,914	20,783	133,697
<i>Total Unclassified Cash Disbursements</i>	<u>112,914</u>	<u>20,783</u>	<u>133,697</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(48,210)</u>	<u>42,871</u>	<u>(5,339)</u>
<i>Fund Cash Balances, January 1</i>	<u>602,718</u>	<u>148,342</u>	<u>751,060</u>
<b><i>Fund Cash Balances, December 31</i></b>	<u><u>\$554,508</u></u>	<u><u>\$191,213</u></u>	<u><u>\$745,721</u></u>

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



**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village contracts with Ross Township to provide 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).

The Village did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Administrative Code Section requires classifying receipts and disbursements. In addition the Village did not classify fund balances in the accompanying financial statements. This is a material departure from the requirements of Governmental Accounting Standards Board Statement 54.

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 investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

**3. Capital Project Fund**

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**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. 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 approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2012 and 2011 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.

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**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 deposits at December 31 was as follows:

	2012	2011
Demand deposits	\$747,490	\$745,721
Total deposits	\$747,490	\$745,721

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$52,830	\$52,830
Special Revenue	0	69,353	69,353
Capital Projects	0	77,238	77,238
Total	\$0	\$199,421	\$199,421

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$93,615	(\$93,615)
Special Revenue	0	26,799	(26,799)
Capital Projects	0	77,238	(77,238)
Total	\$0	\$197,652	(\$197,652)

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,009	\$64,704	\$16,695
Special Revenue	32,350	63,654	31,304
Total	\$80,359	\$128,358	\$47,999

**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$112,914	(\$112,914)
Special Revenue	0	20,783	(20,783)
Total	\$0	\$133,697	(\$133,697)

Contrary to Ohio law:

The Village did not pass an appropriation resolution for 2011 and 2012. This resulted in expenditures exceeding appropriations in 2011 and 2012.

**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.

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 Employees 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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**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, 2012, and 2011, two employees 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, 2012 AND 2011  
(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 a sufficient accounting system nor integrate budgetary accounts into the financial accounting system.

The Village did not utilize funds during the audit period and did not establish the funds required by Ohio law.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Millville, Butler County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 30, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion due to the lack of receipt and disbursement classifications, and lack of fund balance classifications in accordance with Governmental Accounting Standards Board Statement 54.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001, 2012-002, 2012-003, and 2012-007 described in the accompanying schedule of findings to be material weaknesses.

***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, opining 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 2012-001, 2012-002, and 2012-004, through 2012-009.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 30, 2014



**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Noncompliance / Material Weakness**

**Ohio Rev. Code, § 733.28**, states that the Village Fiscal Officer shall keep the books of the village, exhibit accurate statements of all monies 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 contains the following information: the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
3. Appropriations ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
4. In addition, all public offices should maintain or provide a report similar to the following:
  - a. payroll records including:
    - i. W-2's, W-4's and other withholding records and authorizations.
    - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
    - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
    - iv. Information regarding nonmonetary benefits such as car usage and life insurance.
    - v. Information, by employee, regarding leave balances and usage.

**FINDING NUMBER 2012-001  
(Continued)**

The following weaknesses were noted:

- The Village does not have an adopted policy manual nor designed control procedures over the cycles/activities of the Village.
- The Village did not maintain a cash journal, receipts ledger, appropriation ledger, nor a complete payroll ledger during the audit period. The Village presented all financial activity for audit on spreadsheets created after the audit period was over. The Village had a computer system through the Auditor of State Uniform Accounting Network (UAN) and continued to make service payments to the State for this system during the audit period. However, the Village only utilized the UAN system during part of 2011, but did not close out for 2011. The UAN system was not utilized during 2012.
- The Village made late payments, or multiple payments at one time, often resulting in late fees and finance charges.
- There was no evidence that Council was receiving and approving monthly financial reports.
- The Village did not deposit timely checks issued by the State of Ohio and the checks became stale-dated and were voided by the State of Ohio. For our audit period, \$18,416 in checks were voided by the State of Ohio.

Further, the accounting ledgers submitted for audit had the following errors:

- Numerous calculation errors were noted throughout the spreadsheets.
- Several deposits were made which were not included on the ledgers and not posted to a fund (totaling \$2,931 in 2011 and \$989 in 2012).
- A check in 2012 (\$604) cleared the bank, but was not included on the ledgers and not posted to a fund.

The Village posted adjustments to the accompanying financial statements and Village accounting records, for the above items.

The auditors were able to verify other assertions regarding total receipts and disbursements by testing the spreadsheets provided to the bank statements, and auditors were able to calculate year end book balances based on Village bank statements and outstanding checks. Because the auditors could only gain assurance for Village assertions of completeness and accuracy only for total receipts, disbursements and balances for each opinion unit, the Village presented unclassified financial statements.

An adequate system of internal control includes procedures which help ensure that all transactions are properly executed and recorded and that the related accountability for assets is maintained. The conditions described above indicate a lack of controls over the processes for recording and reporting of the Village's financial activity, and increases the risk that errors, theft, fraud, or noncompliance may occur and not be detected in a timely manner.

The Village should adopt a formal policy manual and design adequate control procedures over the cycles/activities of the Village.

The Village should properly post financial activity (i.e., receipts and disbursements). Financial activity posted to the ledgers should be reviewed by Council for accuracy. Comparisons between years may aid in the determination if a transaction has been properly posted.

**FINDING NUMBER 2012-001  
(Continued)**

In addition, Council should receive monthly financial reports from the accounting system including, but not limited to: bank reconciliations (with supporting documentation such as bank statements, outstanding check lists, and deposits in transit), check registers, estimated versus actual receipts, and appropriations compared to actual expenditures. Council should receive these reports prior to the regular meetings so that members have an opportunity to review the information and ask informed questions. Council's approval of these reports should be documented in the minutes.

**FINDING NUMBER 2012-002**

**Noncompliance / Material Weakness**

**Ohio Rev. Code § 5705.09** states, in part, "each subdivision shall establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose";

Also, **Ohio Rev. Code, § 5705.10(B)**, states "all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund. (C) All revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made."

The Village did not utilize funds during the audit period and did not establish the funds required by these Ohio Revised Code sections. Auditors returned the financial statements that the Village initially submitted for audit and requested that the Village classify transactions by fund. The Village classified transactions by fund and submitted revised financial statements for audit. The revised financial statements did not include the required fire fund and capital projects fund.

Failure to establish the required funds and properly monitor the disbursements, increases the risk that restricted funds will be spent for purposes not allowed by the restriction, and that errors, theft or fraud will occur and not be detected in a timely manner.

The financial statements included in this report have been revised to reflect receipts and disbursements by applicable fund types.

The Village should review its revenue sources and related restrictions and establish the necessary funds required by Ohio Revised Code § 5705.09 and 5705.10(B) based on the guidelines in AOS Bulletin 1999-006. Also, the Village should establish controls to ensure that appropriate funds are established for new revenue sources as needed.

### FINDING NUMBER 2012-003

#### Material Weakness

**Governmental Accounting Standard Board (GASB) Statement 54** is applicable for audit periods for audit periods beginning after June 15, 2010. This statement eliminates the reserved component of governmental fund balances in favor of a restricted classification to enhance the consistency of information between the government-wide statements and the governmental fund financial statements. The statement also enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The Village did not present the 2011 and 2012 financial statements in accordance with GASB 54.

We recommend the Village report fund balance in accordance with GASB 54. Failure to do this could mislead the users of the financial statements. Auditor of State Bulletin 2011-004 provides an explanation of GASB 54 and guidance for implementation.

### FINDING NUMBER 2012-004

#### Noncompliance

**Ohio Rev. Code, § 149.351**, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42. The Village did not provide the following documentation:

- Employee files: The Village does not maintain personnel files for any employees (Treasurer, Mayor, Street Commissioner, Assistant Street Commissioner, Village Legal Counsel, and Council members).
- Purchase Orders for 2012
- One invoice in 2011 (Check 14241 for \$129.94 to Imfeld Nursery) and two invoices in 2012 (Check 14427 for \$5,118 to Ohio Casualty and an ACH payment to Time Warner Cable for \$355.41).
- One invoice related to 2012 unrecorded encumbrance testing (Check 14539 for \$33,000 to Ross Township).
- Supporting documentation for hall rental receipts. Documentation should indicate who rented the hall, for how long and the amounts paid for the rental.
- Duplicate pre-numbered receipts.

Failure to maintain proper documentation could result in difficulties when documents are needed to support actions taken by the Village.

We recommend that all records be maintained in accordance with a properly approved records retention schedule.

#### FINDING NUMBER 2012-005

##### Noncompliance

**Ohio Rev. Code, § 5705.38 (A)**, On or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April or, in the case of the city of Cincinnati, the first day of October, of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed. The Village did not pass annual appropriation measures for either 2011 or 2012. No temporary measures were adopted.

Failure to pass annual appropriation measures could result in excessive spending as the Village must have appropriations adopted to legally spend money. We recommend the Village properly obtain an official certificate of estimated resources each year and pass an annual appropriations measure each year.

#### FINDING NUMBER 2012-006

##### Noncompliance

**Ohio Admin. Code § 117-2-02 (C)(1)** requires all local public offices to 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 record budgetary amounts in their accounting system, and did not maintain an accounting system to provide management with ongoing and timely budgetary information at the legal level of control. Failure to update the system with the official budget increases the risk of reliance on inaccurate information for monitoring compliance with applicable laws, operations, and proper reporting. We recommend the Village accurately post estimated resources and appropriations to their accounting system and implement controls over updating system information. Once posted, the Village Fiscal Officer and members of Council should compare the estimated resources and appropriations in the accounting system to the official documents.

#### FINDING NUMBER 2012-007

##### Noncompliance / Material Weakness

**Ohio Admin Code § 117-2-01 (D)** requires in 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; and monitor activities performed by service organizations.

**FINDING NUMBER 2012-007  
(Continued)**

*Lack of internal controls over receipt transactions*

The Village lacked management oversight to ensure the accurate posting of financial activity as demonstrated by the following conditions:

- The Village recorded gasoline tax from the State at 90% to Street Fund and 10% to State Highway, instead of 92.5% and 7.5%, respectively.
- The Village did not post property taxes and rollback receipts to the proper fund in the proper amount; and, and property taxes and rollback receipts were posted at the net amount instead of at the gross amount with deductions recorded as expenditures.
- The Village did not establish a Fire Fund to account for the proceeds of a new fire levy.
- The Village did not record certain deposits in the ledgers.

These conditions resulted in the following errors:

- In 2011, the General Fund total revenues were overstated by \$30,375; expenditures were understated by \$811; thus, the total fund balance was overstated by \$31,186.
- In 2011, the Special Revenue Fund total revenues were understated by \$34,529; expenditures were understated by \$413; thus, the total fund balance was understated by \$34,116.
- In 2012, the General Fund total revenues were overstated by \$35,307; expenditures were understated by \$1,906; thus, the total fund balance was overstated by \$37,213.
- In 2012, the Special Revenue Fund total revenues were understated by \$38,063; expenditures were understated by \$465; thus, the total fund balance was understated by \$37,598.
- In 2012, the Capital Projects Fund total revenues and expenditures were each understated by \$77,238; thus, there was no effect on the total fund balance.

The Village posted adjustments for the above items to the accompanying financial statements and to the Village's accounting records, where appropriate.

Failure to accurately post receipts can result in inaccurate records and potentially materially misstate the financial statements, which increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner.

We recommend that receipts be accurately posted. Receipts posted to the ledgers should be reviewed by Council for accuracy. Comparisons between years and with budgeted amounts may aid in the determination if a transaction has been properly posted.

*Bank reconciliation internal control weaknesses*

The Village lacked management oversight in reconciling its bank account to accounting record fund balances.

**FINDING NUMBER 2012-007  
(Continued)**

The Village failed to reconcile the bank account monthly during the audit period and this was not detected by Council. The Village performed a December 31, 2011 bank reconciliation; however, the reconciliation included errors and unsupported adjusting factors. The Village did not perform a December 31, 2012 reconciliation. Auditors identified reconciling items, and after posting the audit adjustments, the Village bank account balance reconciled to the accounting record fund balances.

Also, the Village carried outstanding checks on their books that are more than one year old; some checks were issued as early as 2004.

Failure to perform accurate and timely reconciliations increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner.

The Village should reconcile accurately on a monthly basis. The Village should document and adequately explain all other adjustment factors. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. Village Council should review and approve the Fiscal Officer's monthly cash reconciliation, indicated by a signature or initials, and/or approval in the minutes. We also recommend the Village investigate old outstanding checks and take appropriate action to remove them from the reconciliation.

**FINDING NUMBER 2012-008**

**Noncompliance**

**Ohio Rev. 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 encumbrance. 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.

1. "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.
2. 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.

**FINDING NUMBER 2012-008  
(Continued)**

3. 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.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 fiscal officer certify that the 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 or Blanket certificates.

The Village did not certify Purchase Orders. Of the twenty-two non-payroll disbursements tested in 2011 none of the purchase orders were certified (signed) by the Fiscal Officer, therefore, the expenditures were not properly encumbered. In 2012 the Village did not prepare Purchase Orders, so all disbursements tested in 2012 were not properly encumbered. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the 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.

**FINDING NUMBER 2012-009**

**Noncompliance**

**Ohio Rev. Code, § 149.351(A)**, provides that no public record shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, § 149.38 to 149.42.

**Ohio Rev. 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.

**In addition, Ohio Rev. Code, §121.22 (F)**, states in part, "Every public body, by rule, shall establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings."

Also the Village's minutes should be signed by at least one Councilmember and the Mayor or Clerk noting the minutes are approved as prepared.

We noted the following conditions related to the Village minutes:

- The Village was unable to provide minutes records for October through December 2011 and January, March, and May through December of 2012. The Village only provided agendas with handwritten notes, which were not used as official record.



**FINDING NUMBER 2012-009  
(Continued)**

- Due to incomplete minute records, we were unable to determine if any budgetary activity was approved; no budgetary activity was identified as approved in the minutes that were provided.
- Due to incomplete minute records, we were unable to determine if employees were authorized to receive pay increases during the audit period.
- Due to incomplete minute records, we were unable to determine if Council was properly paid in 2011 and 2012. Also, the Village was unable to provide us with a statute that stated Council members were to be for each meeting whether they attended or not.
- The Village did not notify the public of the date, time, and location of the Village Council meetings.
- The minutes that were provided were not signed by any Village officials.

Failure to properly maintain minutes could lead to possible discrepancies in resolutions being passed by the Village which could lead to disputes between the Village and the public over funds, laws, etc. Failure to notify the public of Council meetings could lead the public to not being properly represented at Council meetings. Failure to have the minutes signed by at least one Councilmember and the Mayor or the Clerk could lead to the minutes being altered after the fact without Council knowledge.

We recommend the Village document all actions of Council in the minutes and promptly maintain a complete record of all proceedings. We recommend the Village notify the public of the date, time, and location of all Council meetings. We also recommend the Village ensure at least one Councilmember and the Mayor or Clerk sign the minutes.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

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**VILLAGE OF MILLVILLE  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

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>
2010-001	ORC § 149.351(A), destruction of records; and OAC § 117-2-01(D), lack of internal controls	No	Not Corrected – Reissued as Findings 2012-004 and 2012-009
2010-002	ORC § 5705.34, ORC § 5705.36(A)(1), ORC § 5705.36(A)(2), and ORC § 5705.39, required budgetary actions	Yes	Finding No Longer Valid
2010-003	Ohio Ethics Commission Advisory Opinion 96-001, approval of salary after election	Yes	
2010-004	ORC § 733.28, improper posting of receipts	No	Not Corrected – Reissued as Findings 2012-001
2010-005	ORC § 5705.41(D)(1), failure to properly certify funds	No	Not Corrected – Reissued as Findings 2012-008
2010-006	ORC §121.22(C) and §149.43, failure to maintain proper minutes records; and ORC §121.22(F), failure to notify the public of meetings	No	Not Corrected – Reissued as Findings 2012-009
2010-007	OAC § 117-2-02(C)(1), failure to integrate budgetary information into the accounting system	No	Not Corrected – Reissued as Finding 2012-006

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# Dave Yost • 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  
JULY 15, 2014**