



**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY  
Regular Audit  
For the Years Ended December 31, 2018 and 2017**

313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., #A  
St. Clairsville, OH 43950  
740 695 1569

1310 Market St., #300  
Wheeling, WV 26003  
304 232 1358

749 Wheeling Ave., #300  
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OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Village of Newtonsville  
P. O. Box 245  
745 Wright Street  
Newtonsville, Ohio 45158

We have reviewed the *Independent Auditor's Report* of the Village of Newtonsville, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Newtonsville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

April 8, 2020

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VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY

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Certified Public Accountants, A.C.

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## INDEPENDENT AUDITOR'S REPORT

December 31, 2019

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Newtonsville**, Clermont County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

### ***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 such 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.

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***Auditor's Responsibility (Continued)***

Except for the matter described in the *Basis for Disclaimer of Opinion on Fiduciary Fund Type Receipts and Disbursements on the Regulatory Basis of Accounting* paragraph, we believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2018 and 2017, or changes in financial position thereof for the years then ended.

***Basis for Disclaimer of Opinion on Fiduciary Fund Type Receipts and Disbursements on the Regulatory Basis of Accounting***

Operating Cash Receipts are reported at \$4,972 and \$5,236 for the years ended December 31, 2018 and 2017, respectively, which are 100% of Fiduciary Fund Type receipts for the years ended December 31, 2018 and 2017. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Operating Receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Disclaimer of Opinion on Fiduciary Fund Type Receipts and Disbursements on the Regulatory Basis of Accounting***

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on Fiduciary Fund Type Receipts and Disbursements on the Regulatory Basis of Accounting* paragraph, we were unable to obtain sufficient appropriate audit evidence to opine on the Fiduciary Fund Type's financial statements. Accordingly, we have not opined on these financial statements.



***Basis for Additional Qualification of Opinion on General Fund Fines, Licenses, and Permits on the Regulatory Basis of Accounting***

Fines, Licenses and Permits are reported at \$14,488 and \$13,542 for the years ended December 31, 2018 and 2017, respectively, which is 26 percent and 25 percent of total General Fund cash receipts for the years ended December 31, 2018 and 2017, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Fines, Licenses and Permits. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualification of Opinion on General Fund Fines, Licenses, and Permits on the Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the General Fund Type of the Village of Newtonsville, Clermont County, Ohio as of December 31, 2018 and 2017, and its cash receipts and disbursements, and the related notes, 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 2.

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Special Revenue Fund Type and related notes of the Village of Newtonsville, Clermont County as of December 31, 2018 and 2017, 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019, 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 4,313	\$ -	\$ 4,313
Municipal Income Tax	10,406	-	10,406
Intergovernmental	22,461	21,454	43,915
Fines, Licenses and Permits	14,488	1,239	15,727
Earnings on Investments	60	3	63
Miscellaneous	3,223	1,750	4,973
	<hr/>	<hr/>	<hr/>
<i>Total Cash Receipts</i>	54,951	24,446	79,397
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	13,212	-	13,212
Public Health Services	344	-	344
Leisure Time Activities	435	-	435
Basic Utility Services	17,068	-	17,068
Transportation	-	40,472	40,472
General Government	26,474	-	26,474
	<hr/>	<hr/>	<hr/>
<i>Total Cash Disbursements</i>	57,533	40,472	98,005
	<hr/>	<hr/>	<hr/>
<i>Net Change in Fund Cash Balances</i>	(2,582)	(16,026)	(18,608)
	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, January 1</i>	(39,767)	141,950	102,183
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	125,924	125,924
Unassigned	(42,349)	-	(42,349)
	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$ (42,349)</u>	<u>\$ 125,924</u>	<u>\$ 83,575</u>

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

VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	<u>\$ 4,931</u>
<i>Fund Cash Balances, January 1</i>	<u>26,724</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 31,655</u></u>

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

**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

**Note 1 - Reporting Entity**

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

The Auditor of State declared the Village of Newtonsville to be in a state of fiscal caution on April 26, 2016, in accordance with Section 118.025(A).

***Public Entity Risk Pools***

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for the public entity risk pool. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***State Highway Fund*** The state highway fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of State Highways that run through the Village.

***Permissive Motor Vehicle License Fund*** The permissive motor vehicle license fund accounts for and reports permissive taxes restricted for construction, maintenance, and repair of streets within the Village.

**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018 (Continued)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for fines and forfeitures collected by the Mayor's court, which are distributed to the Village and the State.

***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***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.

***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.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018 (Continued)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$371 for the year ended December 31, 2018. Also contrary to Ohio law, at December 31, 2018, the General fund had a cash deficit balance of \$42,349.

**Village of Newtonsville**  
 Clermont County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2018 (Continued)

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,700	\$ 54,951	\$ 8,251
Special Revenue	13,800	24,446	10,646
Agency	10,000	4,972	(5,028)
Total	\$ 70,500	\$ 84,369	\$ 13,869

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 57,215	\$ 56,993	\$ 222
Special Revenue	57,100	40,472	\$ 16,628
Total	\$ 114,315	\$ 97,465	\$ 16,850

**Note 5 – Deposits**

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

	2018
Demand deposits	\$ 115,230

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Village of Newtonsville**  
 Clermont County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2018 (Continued)

**Note 6 – Taxes**

***Property Taxes***

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.

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a 1.0 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 7 - Risk Management**

The (local entity) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of December 31:

	<b><u>2018</u></b>
Assets	\$35,381,789
Liabilities	(12,965,015)
Net Position	\$22,416,774



**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018 (Continued)

**Note 7 - Risk Management (Continued)**

<b><u>2018 Contributions to PEP</u></b>
<b>\$7,086</b>

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

***Social Security***

Some Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**Note 10 – Subsequent Events**

On November 5<sup>th</sup>, 2019, the residents of the Village passed an initiative to dissolve and return to Wayne Township. Dissolution took effect on November 25<sup>th</sup>, 2019.

**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 6,163	\$ -	\$ 6,163
Municipal Income Tax	1,387	-	1,387
Intergovernmental	29,448	12,486	41,934
Fines, Licenses and Permits	13,542	1,340	14,882
Earnings on Investments	64	-	64
Miscellaneous	3,688	-	3,688
	<u>54,292</u>	<u>13,826</u>	<u>68,118</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	10,266	-	10,266
Transportation	-	21,574	21,574
General Government	44,421	1,446	45,867
	<u>54,687</u>	<u>23,020</u>	<u>77,707</u>
<i>Total Cash Disbursements</i>			
<i>Net Change in Fund Cash Balances</i>	(395)	(9,194)	(9,589)
<i>Fund Cash Balances, January 1</i>	<u>(39,372)</u>	<u>151,144</u>	<u>111,772</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	141,950	141,950
Unassigned	<u>(39,767)</u>	<u>-</u>	<u>(39,767)</u>
<i>Fund Cash Balances, December 31</i>	<u><b>\$ (39,767)</b></u>	<u><b>\$ 141,950</b></u>	<u><b>\$ 102,183</b></u>

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

VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	<u>\$ 5,277</u>
<i>Fund Cash Balances, January 1</i>	<u>21,447</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 26,724</u></u>

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

**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**Note 1 - Reporting Entity**

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

The Auditor of State declared the Village of Newtonsville to be in a state of fiscal caution on April 26, 2016, in accordance with Section 118.025(A).

***Public Entity Risk Pools***

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for the public entity risk pool. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***State Highway Fund*** The state highway fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of State Highways that run through the Village.

***Permissive Motor Vehicle License Fund*** The permissive motor vehicle license fund accounts for and reports permissive taxes restricted for construction, maintenance, and repair of streets within the Village.

**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017 (Continued)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for fines and forfeitures collected by the Mayor's court, which are distributed to the Village and the State.

***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***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.

***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.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017 (Continued)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$12,510, the Street Construction and Repair Fund by \$2,549, the State Highway Fund by \$1,425, and the Mayor's Court Computer Fund by \$246 for the year ended December 31, 2017. Also contrary to Ohio law, at December 31, 2017, the General fund had a cash deficit balance of \$40,307.

**Village of Newtonsville**  
 Clermont County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2017 (Continued)

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 54,292	\$ 54,292
Special Revenue	-	13,826	13,826
Agency	-	5,236	5,236
Total	\$ -	\$ 73,354	\$ 73,354

The Village did not receive an Amended Certificate for 2017 from the County Auditor's office due to a lack of information provided by the Village.

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 59,455	\$ 55,227	\$ 4,228
Special Revenue	23,800	23,020	\$ 780
Total	\$ 83,255	\$ 78,247	\$ 5,008

**Note 5 – Deposits**

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

	2017
Demand deposits	\$ 128,907

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017 (Continued)

**Note 6 – Taxes**

***Property Taxes***

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.

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a 1.0 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 7 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.



**Village of Newtonsville**  
 Clermont County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2017 (Continued)

**Note 7 - Risk Management (Continued)**

	<b><u>2017</u></b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2017 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>2017 Contributions to PEP</u></b>
<b>\$7,072</b>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

***Social Security***

Some Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Village of Newtonsville**  
Clermont County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017 (Continued)

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

December 31, 2019

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

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 cash balances, receipts, and disbursements by fund type of the **Village of Newtonsville**, Clermont County (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 31, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We did not express an opinion on the Fiduciary Fund Type. We also qualified our opinion on fines, licenses and permits in the General Fund.

**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 opinions 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.

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.

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### **Internal Control Over Financial Reporting (Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings, that we consider material weaknesses. We consider findings 2018-009 through 2018-013 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 audit findings as items 2018-001 through 2018-008.

### **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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF NEWTONSVILLE**  
CLERMONT COUNTY  
*SCHEDULE OF AUDIT FINDINGS*  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2018-001**

**Noncompliance – Encumbering Funds**

**Ohio Rev. Code § 5705.41(D)(1)** 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.

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.

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.

The Village failed to encumber funds for 35% of expenditures tested for 2018 and all expenditures for 2017. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**VILLAGE OF NEWTONSVILLE**  
**CLERMONT COUNTY**  
**SCHEDULE OF AUDIT FINDINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS          REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-001 (Continued)**

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 funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to 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. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We also recommend that Then and Now certificates be used only when necessary.

**Officials' Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-002**

**Noncompliance – Annual Financial Reporting**

**Ohio Rev. Code § 117.38** states cash-basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports.

The Village did not file its annual report timely for fiscal year 2017 with the Auditor of State.

Failure to file an annual report could result in a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report. Additionally, the lack of an annual report could result in auditing difficulties.

We recommend the Village file a complete annual report within the required time frame at the end of each fiscal year with the Auditor of State's Office.

**Officials' Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-003**

**Noncompliance – Expenditures Exceeding Appropriations**

**Ohio Rev. Code § 5705.41(B)** states that no subdivision or taxing unit to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in the following funds:

Fund	Expenditures	Appropriations	Variance
General Fund - 2018	\$57,532	\$57,215	\$317
General Fund - 2017	\$71,965	\$59,455	\$12,510
SCAR Fund - 2017	\$16,149	\$13,600	\$2,549
State Highway - 2017	\$4,000	\$5,425	\$1,425
Computer Fund - 2017	\$1,200	\$1,446	\$246

**VILLAGE OF NEWTONSVILLE**  
*CLERMONT COUNTY*  
**SCHEDULE OF AUDIT FINDINGS**  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-003 (Continued)**

Expenditures in excess of appropriations can result in overspending and deficit fund balances. The General Fund had a negative fund balance of (\$42,889) and (\$40,307) at December 31, 2018 and 2017, respectively.

**Ohio Rev. Code § 5705.10 (I)** states that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

We recommend that the Village monitor its budget closely to prevent expenditures from exceeding appropriations. The Fiscal Officer should deny payment requests exceeding appropriations but may request that Council approve amended appropriations and by filing amended certificates of estimated resources, if necessary. The Village should also monitor fund balances to provide that expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, the Village Council should consider an approved transfer or advance of funds to cover the necessary expenditure.

**Officials' Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-004**

**Noncompliance – Fraud Reporting System**

**Ohio Rev. Code § 117.103(B)(1)** took effect on May 4, 2012 and requires public offices to provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment.

For all employees hired during the audit period, the Village did not have a confirmation of receipt of information regarding the Ohio fraud-reporting system.

Failure to inform new employees about the fraud-reporting system could result in fraud not being reported in a timely manner.

We recommend that the Village inform newly hired employees of the Ohio fraud-reporting system and ensure they complete a confirmation of receipt of the information which can be maintained in their personnel files. An example acknowledgement form can be found at <https://ohioauditor.gov/fraud/FraudReportingSystemModelForm.pdf>.

**Officials' Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-005**

**Noncompliance – Public Records Training**

**Ohio Rev. Code §149.43(E)(1)** requires that all elected officials or their designees must attend at least 3 hours of training on Ohio's Public Records Laws during each term of office.

The Village's Mayor and elected Council members did not attend training on Ohio's Public Records Laws and also did not designate someone to attend on their behalf during their term of office.

**VILLAGE OF NEWTONSVILLE**  
*CLERMONT COUNTY*  
**SCHEDULE OF AUDIT FINDINGS**  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-005 (Continued)**

Failure to attend Public Records Training could cause the Village to violate Public Records Laws which could lead to possible litigation against the Village.

We recommend that the Village Mayor and Council members, or their designee(s), attend all required Ohio Public Records Laws training for each term of office.

**Officials' Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-006**

**Noncompliance – Mayor's Court Accounting**

**Ohio Rev. Code § 733.40** states that all monies collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

**Ohio Rev. Code § 1907.24(C), 2303.201(C), 2743.70 (A), 2949.091(A)-(B), and 3109.14** state that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

**Ohio Rev. Code § 2949.094(A) & (C)** when read together, state the court in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. If the person is convicted, pleads guilty, or forfeits bail, the clerk shall transmit thirty five percent of all additional court costs to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund and the remaining three per cent shall be credited to the justice program services fund, the clerk shall transmit fifteen percent of all additional costs to the county or municipal indigent drivers alcohol treatment fund under the control of that court. The Court shall transmit fifty percent of all additional costs to the state treasury to be credited to the indigent defense support fund. All costs should be transmitted to the appropriate entities by the twenty third day of the following month the costs were collected.

**Ohio Rev. Code § 4513.263(B), (E) & (G)** when read together, state that no person shall operate an automobile on any street or highway unless that person is wearing all of the available elements of a properly adjusted occupant restraining device, or operate a school bus that has an occupant restraining device installed for use in its operator's seat unless that person is wearing all of the available elements of the device, as properly adjusted, and that violators be fined thirty dollars. Fines collected for the violations of this section, or for violations of any ordinance or resolution of a political subdivision that is substantively comparable to that division, shall be forwarded to the treasurer of state for deposit into the state treasury.

The Village was unable to provide receipts pertaining to Mayor's Court.

- The Village did not remit State or County monies. The Village did not provide support to determine the correct amount to be remitted.

The Court should implement procedures to help ensure collection of the proper costs, and to remit amounts owed to the appropriate entities.

This matter will be referred to Clermont County and the State of Ohio.



**VILLAGE OF NEWTONSVILLE**  
*CLERMONT COUNTY*  
**SCHEDULE OF AUDIT FINDINGS**  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-007**

**Noncompliance – Destruction of Records**

**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 failed to locate the following records:

- Supporting documentation for 9 expenditures in 2018 and 5 expenditures in 2017. These disbursements include PEP, Ohio State Highway Patrol, USPS, Lykins Energy, and Ohio Jobs and Family Services. By performing alternative procedures, we determined that these expenditures were for a proper public purpose.
- Supporting documentation for all Mayor’s Court receipts and disbursements.
- Official Certificate of Estimated Resources for 2017
- Revenue Ledger was not kept for 2017 and part of 2018
- Appropriation Ledger was not kept for 2017 and part of 2018

A lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. We performed alternative procedures to obtain assurance that the receipts were posted to the proper fund and account.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule. We recommend the Fiscal Officer keep supporting documentation for all transactions.

**Officials’ Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-008**

**Noncompliance – Certification to County Auditor**

**Ohio Rev. Code § 5705.36(A)** requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

For fiscal year 2017, the Village did not certify to the county auditor the total amount from all sources available for expenditure.

We recommend that the Village certify to the county auditor the total amount from all sources available for expenditures from each fund on or about the first day of each fiscal year.

**Officials’ Response: We did not receive a response from the Village.**

**VILLAGE OF NEWTONSVILLE**  
*CLERMONT COUNTY*  
**SCHEDULE OF AUDIT FINDINGS**  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-009**

**Material Weakness – Posting Transactions**

All local 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 and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by **rule 117-2-03 of the Ohio Administrative Code**. The Village did not properly post transactions in the accounting system and/or financial statements.

The following conditions were noted in the accounting system and/or the financial statements:

- In 2018, Intergovernmental receipts were improperly classified as Property Tax in the General Fund.
- In 2018, Mayor’s Court Computer Receipts were improperly classified as Miscellaneous instead of Fines, Licenses, and Permits.

The Village did not have procedures in place for effective monitoring of the Village’s financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for

**Officials’ Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-010**

**Material Weakness – Bank Reconciliations**

When designing the public office’s system in internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village did not complete monthly bank reconciliations for 2017 or most of 2018. The Village began preparing reconciliations for 2018 after obtaining assistance from the Auditor of State’s Local Government Services to reconstruct Village reconciliations. In addition, reconciliations that were prepared did not receive a documented supervisory review.

Accurate preparation and timely review of bank reconciliations are basic and essential internal control components for sound fiscal management. Failure to reconcile the Village accounts with the accounting system could increase the likelihood of errors being made and not detected and corrected in a timely manner. This condition, combined with the lack of a supervisory review, reduces the Village’s ability to monitor banking activities.

**VILLAGE OF NEWTONSVILLE**  
*CLERMONT COUNTY*  
**SCHEDULE OF AUDIT FINDINGS**  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-010 (Continued)**

**Material Weakness – Bank Reconciliations (Continued)**

We recommend the Village reconcile all active bank accounts on a monthly basis. The Village should document and adequately explain all adjusting factors. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. For guidance the Village should utilize the Village Officer’s Handbook. The Village should also implement controls over the bank reconciliations to include a supervisory review, evidenced by signature or initials and date of the reviewer.

**Officials’ Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-011**

**Material Weakness – Service Organizations**

Statements on Standards for Attestation Engagements (SSAE) No. 16 prescribes standards for reporting on the processing of transactions by service organizations. An unqualified Type 2 “Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness” in accordance with SSAE 16 should provide the Village with an appropriate level of assurance that the processing of payroll is being processed in conformance with the contract. However, it may be possible for the Village to obtain an appropriate level of assurance by other means.

The Village utilized Working Toward Success (WTS) for payroll processing. The Village did not establish procedures to reasonably determine that WTS had sufficient controls in place and operating effectively to reduce the risk that payroll disbursements have been completely and accurately processed.

We recommend the Village specify in their contract with their third-party administrators that an annual SSAE 16 audit report be performed. The Village should be provided a copy of the SSAE 16 report timely and should review the reports’ content. A SSAE 16 audit report should be conducted in accordance with American Institute of Certified Public Accountants’ (AICPA) standards by a firm registered and considered in “good standing” with the Accountancy Board of the respective State. If the third-party administrator refuses to provide the Village with a Type 2 SSAE 16 report, we recommend the Village only contract with a third-party administrator that will provide such a report.

**Officials’ Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-012**

**Material Weakness – Budgetary Accounting System and Monitoring**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system as required by §117-2-02(C)(1) of the Ohio Administrative Code. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. This also means the accounting system should report appropriations, encumbrances, unencumbered cash balances, and estimated receipts, and should compare budgetary data to actual results.

**VILLAGE OF NEWTONSVILLE**  
*CLERMONT COUNTY*  
**SCHEDULE OF AUDIT FINDINGS**  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-012 (Continued)**

Furthermore, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" includes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, and should consist of monitoring, which is a process that assesses the quality of internal control performance over time.

For 2017, the Village's manual accounting system did not adequately integrate the budgetary accounts at the legal level of control, nor did the system track budgetary amounts compared to actual amounts. In addition, monthly financial reports prepared by the Village Fiscal Officer for Council's review and approval did not include budget-to-actual information for each fund and receipts and disbursements at least the legal level of control.

The Village did acquire UAN in 2018.

We recommend the Village to continue tracking budgeted receipts and expenditures against actual amounts, and implement a monitoring system for budgetary information and document the review and approval in the minutes.

**Officials' Response: We did not receive a response from the Village.**

**FINDING NUMBER 2018-013**

**Material Weakness – Segregation of Duties**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of fund balances and periodically reconciling them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Due to a small staff, the Fiscal Officer receives various payments to the Village, prepares the Village deposits, records receipt (deposit) information into the Village accounting system, transports the Village bank deposits to the designated depository, and reconciles the Village accounting system to the bank statement monthly. The Fiscal Officer also receives Village bills, writes and signs checks, mails all payments, and handles all payroll information sent to the service organization for payroll processing.

A lack of segregation of duties increase the risk that errors, theft, or fraud could occur and not be detected in a timely manner.

**VILLAGE OF NEWTONSVILLE**  
*CLERMONT COUNTY*  
**SCHEDULE OF AUDIT FINDINGS**  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-013 (Continued)**

**Material Weakness – Segregation of Duties (Continued)**

We recommend Village implement segregation of duties over financial transactions by involving other Village officials and employees. The Village should designate a different official or employee to:

1. Prepare Village bank deposits from the one taking the deposits to the authorized depository.
2. Prepare voucher packages for payment from the one mailing vendor checks.
3. Approve payroll for processing from the one responsible for maintaining personnel files and posting to the accounting system.

**Officials' Response: We did not receive a response from the Village.**

**VILLAGE OF NEWTONSVILLE**  
**CLERMONT COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding for Recovery	Corrected	N/A
2016-002	Finding for Recovery	Corrected	N/A
2016-003	ORC 121.22(C) – Minutes	Corrected	N/A
2016-004	ORC 5705.41(D) – Encumbering Funds	Not Corrected	Repeated as Finding 2018-001
2016-005	ORC 117.38 - AFR	Not Corrected	Repeated as Finding 2018-002
2016-006	ORC 5705.41(B) – Expenditures Exceeding Appropriations	Not Corrected	Repeated as Finding 2018-003
2016-007	117.103(B)(1) – Fraud Reporting System	Not Corrected	Repeated as Finding 2018-004
2016-008	ORC 149.43(E)(1) – Public Records Training	Not Corrected	Repeated as Finding 2018-005
2016-009	ORC 733.40 – Mayor’s Court Accounting	Not Corrected	Repeated as Finding 2018-006
2016-010	ORC 1901.261 – Computerization Fund	Corrected	N/A
2016-011	ORC 149.351 – Destruction of Records	Not Corrected	Repeated as Finding 2018-007
2016-012	Dual Signatures	Corrected	N/A
2016-013	ORC 2921.42(A)(1) – Conflict of Interest	Corrected	N/A
2016-014	ORC 705.27 – Public Officials Bonds	Corrected	N/A
2016-015	ORC 5705.36(A) – Certification to County Auditor	Not Corrected	Repeated as Finding 2018-008
2016-016	Internal Control – Posting Transactions	Not Corrected	Repeated as Finding 2018-009
2016-017	Internal Control – Bank Reconciliations	Not Corrected	Repeated as Finding 2018-010
2016-018	Internal Control – Payroll Records	Corrected	N/A
2016-019	Internal Control – Service Organizations	Not Corrected	Repeated as Finding 2018-011

**VILLAGE OF NEWTONSVILLE**  
**CLERMONT COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

2016-020	Internal Control – Budgetary Accounting System and Monitoring	Not Corrected	Repeated as Finding 2018-012
2016-021	Internal Control – Annual Car Show	Corrected	N/A
2016-022	Internal Control – Segregation of Duties	Not Corrected	Repeated as Finding 2018-013

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
APRIL 21, 2020**