



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY
JANUARY 1, 2019 THROUGH MARCH 3, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Village of Newtonsville
Clermont County
794 Wright St.
Newtonsville, Ohio 45158

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Newtonsville, Clermont County, (the Village), as of and for the period January 1, 2019 through March 3, 2021. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2020-009, 2020-012 and 2020-014 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2020-001 through 2020-008, 2020-010, 2020-011, 2020-013, 2020-015 and 2020-016.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio
March 5, 2021

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Village of Newtonsville, Ohio
Clermont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Period Ended March 3, 2021

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Unclassified	\$5,320	\$3,266	\$8,586
Cash Disbursements			
Unclassified	2,250	0	2,250
<i>Net Change in Fund Cash Balances</i>	3,070	3,266	6,336
<i>Fund Cash Balances (Deficit), January 1, 2021</i>	(95,739)	153,091	57,352
Fund Cash Balances (Deficit), March 3, 2021			
Nonspendable	0	0	0
Restricted	0	156,357	156,357
Unassigned (Deficit)	(92,669)	0	(92,669)
<i>Fund Cash Balances (Deficit), March 3, 2021</i>	(92,669)	\$156,357	\$63,688

See accompanying notes to the basic financial statements

Village of Newtonsville, Ohio
Clermont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Period Ended March 3, 2021

	Fiduciary Fund Type
	Custodial
Cash Receipts	
Unclassified	\$0
Cash Disbursements	
Unclassified	0
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1, 2021</i>	7
<i>Fund Cash Balances, March 3, 2021</i>	\$7

See accompanying notes to the basic financial statements

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Period Ended March 3, 2021

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). The Village was subsequently declared to be in a state of fiscal emergency as defined in Sections 118.03(A)(4),(5),(6) and 118.03(B) on June 20, 2019. See Note 9 for additional information.

On November 5, 2019, the residents of the Village passed an initiative to surrender the corporate powers of the Village. The results were certified on November 25, 2019. The Village will dissolve and become part of Wayne Township.

The Village of Newtonsville and Wayne Township have entered into a transition agreement that sets forth the services to be provided to Village residents that includes street maintenance and repairs, street lighting, and upkeep and maintenance of real property. Additionally, the transition agreement sets forth the process for the transfer of real estate and other assets from the Village to the Township. Subsequent to the completion of a final transition audit, the transition period will end and Wayne Township will then provide all services to the residents.

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 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.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Period Ended March 3, 2021

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.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial 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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the 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 carried over, and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 4.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Period Ended March 3, 2021

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.

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.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Period Ended March 3, 2021

Note 3 - Compliance

Contrary to Ohio law, at March 3, 2021, the General fund had a cash deficit balance of \$92,669. Expenditures exceeded appropriations in the General fund at March 3, 2021.

Note 4 - Budgetary Activity

Budgetary activity for the period ending March 3, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$5,320	\$5,320
Special Revenue	0	3,266	3,266
Total	\$0	\$8,586	\$8,586

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$2,250	(\$2,250)

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 March 3, 2021 was \$63,695.

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, Ohio
Clermont County
Notes to the Financial Statements
For the Period Ended March 3, 2021

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 - 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 March 3, 2021.

Note 8 - 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 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Period Ended March 3, 2021

Note 9 - Fiscal Caution and Emergency

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

On June 20, 2019, the Auditor of State declared the Village of Newtonsville to be in a state of fiscal emergency in accordance with Section 118.03(A) of the Ohio Revised Code. Based upon the Village's population, the Auditor of State serves as the financial supervisor and has all of the powers and responsibilities of a financial planning and supervision commission.

In accordance with Section 118.06 of the Ohio Revised Code, the Village was required to submit to the financial supervisor a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village was unable to develop a recovery plan and the residents ultimately voted to dissolve the Village.

Note 10 – Dissolution

On March 3, 2021, the Village was dissolved into Wayne Township. The Village disbursed all funds in the amount of \$64,394.68 to Wayne Township.

Village of Newtonsville, Ohio
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, 2020

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$4,345	\$0	\$4,345
Municipal Income Tax	26,386	0	26,386
Intergovernmental	19,425	23,429	42,854
Fines, Licenses and Permits	2,253	0	2,253
Earnings on Investments	25	2	27
Miscellaneous	1,091	0	1,091
<i>Total Cash Receipts</i>	<u>53,525</u>	<u>23,431</u>	<u>76,956</u>
Cash Disbursements			
Current:			
Security of Persons and Property	74,399	119	74,518
Public Health Services		0	0
Basic Utility Services	4,150	0	4,150
Transportation	0	3,683	3,683
General Government	29,482	140	29,622
<i>Total Cash Disbursements</i>	<u>108,031</u>	<u>3,942</u>	<u>111,973</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(54,506)</u>	<u>19,489</u>	<u>(35,017)</u>
<i>Net Change in Fund Cash Balances</i>	(54,506)	19,489	(35,017)
<i>Fund Cash Balances (Deficit), January 1</i>	<u>(41,233)</u>	<u>133,602</u>	<u>92,369</u>
Fund Cash Balances (Deficit), December 31			
Nonspendable	0	0	0
Restricted	0	153,091	153,091
Committed	0	0	0
Assigned	0	0	0
Unassigned (Deficit)	<u>(95,739)</u>	<u>0</u>	<u>(95,739)</u>
<i>Fund Cash Balances (Deficit), December 31</i>	<u><u>(\$95,739)</u></u>	<u><u>\$153,091</u></u>	<u><u>\$57,352</u></u>

See accompanying notes to the basic financial statements

Village of Newtonsville, Ohio
Clermont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Custodial
Operating Cash Receipts	
Fines, Licenses and Permits	\$0
 Operating Cash Disbursements	
Distributions to Other Funds (Primary Gov't)	33,754
 <i>Net Change in Fund Cash Balances</i>	(33,754)
 <i>Fund Cash Balances, January 1</i>	33,761
 <i>Fund Cash Balances, December 31</i>	\$7

See accompanying notes to the basic financial statements

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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). The Village was subsequently declared to be in a state of fiscal emergency as defined in Sections 118.03(A)(4),(5),(6) and 118.03(B) on June 20, 2019. See Note 10 for additional information.

On November 5, 2019, the residents of the Village passed an initiative to surrender the corporate powers of the Village. The results were certified on November 25, 2019. The Village will dissolve and become part of Wayne Township.

The Village of Newtonsville and Wayne Township have entered into a transition agreement that sets forth the services to be provided to Village residents that includes street maintenance and repairs, street lighting, and upkeep and maintenance of real property. Additionally, the transition agreement sets forth the process for the transfer of real estate and other assets from the Village to the Township. Subsequent to the completion of a final transition audit, the transition period will end and Wayne Township will then provide all services to the residents.

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 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:

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial 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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the 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 custodial 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 carried over, and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 4.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

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, at December 31, 2020, the General fund had a cash deficit balance of \$95,739.

Expenditures exceeded appropriations in the General, Street Construction and Maintenance, State Highway,

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Law Enforcement Trust, Permissive Motor Vehicle License Tax and Computer funds at December 31, 2020

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$53,525	\$53,525
Special Revenue	0	23,431	23,431
Total	\$0	\$76,956	\$76,956

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$108,032	(\$108,032)
Special Revenue	0	3,943	(3,943)
Total	\$0	\$111,975	(\$111,975)

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, 2020 was \$57,359.

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, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Risk Pool Membership

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.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. PEP assumes the risk of loss up to the limits of the Village's policy. PEP covers the following risks:

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

Financial Position

PEP reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2019 (the latest information available):

	2019
Cash and Investments	<u>\$38,432,610</u>
Actuarial Liabilities	\$14,705,917

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, 2020.

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, 2020.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 10 - Fiscal Caution and Emergency

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

On June 20, 2019, the Auditor of State declared the Village of Newtonsville to be in a state of fiscal emergency in accordance with Section 118.03(A) of the Ohio Revised Code. Based upon the Village's population, the Auditor of State serves as the financial supervisor and has all of the powers and responsibilities of a financial planning and supervision commission.

In accordance with Section 118.06 of the Ohio Revised Code, the Village was required to submit to the financial supervisor a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village was unable to develop a recovery plan and the residents ultimately voted to dissolve the Village.

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Village of Newtonsville, Ohio
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, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$3,822	\$0	\$3,822
Municipal Income Tax	32,212	0	32,212
Intergovernmental	20,632	21,568	42,200
Fines, Licenses and Permits	8,535	0	8,535
Earnings on Investments	51	5	56
Miscellaneous	1,179	619	1,798
<i>Total Cash Receipts</i>	<u>66,431</u>	<u>22,192</u>	<u>88,623</u>
Cash Disbursements			
Current:			
Security of Persons and Property	11,578	0	11,578
Public Health Services	150	0	150
Basic Utility Services	6,159	0	6,159
Transportation	0	14,514	14,514
General Government	47,428	0	47,428
<i>Total Cash Disbursements</i>	<u>65,315</u>	<u>14,514</u>	<u>79,829</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,116</u>	<u>7,678</u>	<u>8,794</u>
<i>Net Change in Fund Cash Balances</i>	1,116	7,678	8,794
<i>Fund Cash Balances (Deficit), January 1</i>	<u>(42,349)</u>	<u>125,924</u>	<u>83,575</u>
Fund Cash Balances (Deficit), December 31			
Nonspendable	0	0	0
Restricted	0	133,602	133,602
Committed	0	0	0
Assigned	0	0	0
Unassigned (Deficit)	(41,233)	0	(41,233)
<i>Fund Cash Balances (Deficit), December 31</i>	<u>(\$41,233)</u>	<u>\$133,602</u>	<u>\$92,369</u>

See accompanying notes to the basic financial statements

Village of Newtonsville, Ohio
Clermont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2019

	Fiduciary Fund Type
	Custodial
Operating Cash Receipts	
Fines, Licenses and Permits	\$7,370
 Operating Cash Disbursements	
Other	5,264
 <i>Net Change in Fund Cash Balances</i>	2,106
 <i>Fund Cash Balances, January 1</i>	31,655
 <i>Fund Cash Balances, December 31</i>	\$33,761
 <i>See accompanying notes to the basic financial statements</i>	

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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). The Village was subsequently declared to be in a state of fiscal emergency as defined in Sections 118.03(A)(4),(5),(6) and 118.03(B) on June 20, 2019. See Note 10 for additional information.

On November 5, 2019, the residents of the Village passed an initiative to surrender the corporate powers of the Village. The results were certified on November 25, 2019. The Village will dissolve and become part of Wayne Township. The Village will continue working on the dissolution into 2020.

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 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.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial 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 carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 4.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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 \$25,296 for the year ended December 31, 2019. Also contrary to Ohio law, at December 31, 2019, the General fund had a cash deficit balance of \$41,233.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,166	\$66,431	\$22,265
Special Revenue	18,900	22,192	3,292
Total	\$63,066	\$88,623	\$25,557

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,019	\$65,315	(\$25,296)
Special Revenue	25,600	14,514	11,086
Total	\$65,619	\$79,829	(\$14,210)

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:

	2019
Demand deposits	\$126,130

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.

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.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Risk Pool Membership

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, 2018 (the latest information available), 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.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2018 (the latest information available):

	2018
Assets	\$49,921,998
Liabilities	<u>(14,676,199)</u>
Net Position	<u>\$35,245,799</u>

At December 31, 2018 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2019, the Village’s share of these unpaid claims collectible in future years is approximately \$4,464.

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.

Contributions to PEP
<hr/>
2019
<hr/>
\$7,050

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, 2019.

Village of Newtonsville, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019.

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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 10 - Fiscal Caution and Emergency

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

On June 20, 2019, the Auditor of State declared the Village of Newtonsville to be in a state of fiscal emergency in accordance with Section 118.03(A) of the Ohio Revised Code. Based upon the Village's population, the Auditor of State serves as the financial supervisor and has all of the powers and responsibilities of a financial planning and supervision commission.

In accordance with Section 118.06 of the Ohio Revised Code, the Village was required to submit to the financial supervisor a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village was unable to develop a recovery plan and the residents ultimately voted to dissolve the Village.

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VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY

SCHEDULE OF FINDINGS
JANUARY 1, 2019 THROUGH MARCH 3, 2021

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code, § 121.22(F) requires every public body to, by rule, 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. **Ohio Rev. Code, § 121.22(C)** requires that the minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

We noted the following conditions related to the minutes:

- No minutes were provided for the February 2019 Council meeting.
- Minutes of the September and October 2019 meetings were not approved at subsequent meetings.
- Minutes were not signed by the Fiscal Officer and Mayor for October and November 2019 meetings.
- Financial reports for September and October 2019 were not presented to Council for review during meetings.
- Council meetings were not held from December 2019 through December 2020 and the Council failed to notify the public the Council was disbanding and no longer holding meetings.

Policies and procedures should be established and implemented to verify that all Council meetings are held in accordance with the Ohio Sunshine Laws. Failure to properly maintain and approve accurate minutes could lead to possible omissions or alterations to the minute record without Council's knowledge. Not receiving and approving detailed monthly financial reports inhibits Council's ability to properly monitor the Village's funds and could result in deficit spending.

The Village should prepare all minutes promptly after each meeting, approve them the subsequent meeting, have Village officials sign the minutes, and maintain a complete minutes book. In addition, the Village should be receiving a monthly financial report presenting month and year-to-date budgeted and actual revenues and expenditures, and fund balances for all Village funds. This financial report should be approved in the minutes and a copy maintained with the minutes records.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code § 135.22(B) states that to enhance the background and working knowledge of treasurers in investments, cash management, and ethics, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described, unless the treasurer annually provides a notice of exemption.

The Fiscal Officer did not attend the annual continuing education programs provided by the Treasurer of State or provide an annual notice of exemption to the Auditor of State's office for the years ending 2019 or 2020.

**FINDING NUMBER 2020-002
(Continued)**

In order to maintain and/or enhance the working knowledge and prevent future occurrences of noncompliance, the Fiscal Officer shall attend the annual training or provide an annual notice of exemption to the Auditor of State's office.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-003

Noncompliance

Ohio Rev. Code § 733.81(C) states that a newly elected or appointed fiscal officer shall complete at least six hours of initial education programs before commencing, or during the first year of office. An additional eighteen hours of continuing education must be completed during the fiscal officer's first term.

The Village Fiscal Officer was appointed in March 2019 and failed to complete any training programs. The Fiscal Officer should obtain the required training and continuing education hours. Failure to attend training and comply with the aforementioned requirements increases the risk of errors in reporting financial information as the Fiscal Officer would not have been made aware of new financial requirements

We recommend the Village Fiscal Officer attend training programs provided/approved by the Auditor of State as required above.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-004

Noncompliance

Ohio Rev. Code § 117.103 (B)(1) states that a public office shall 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. Furthermore, Ohio Rev. Code § 117.103 (B)(2) states that on the effective date of this section (May 4, 2012), each public office shall make all its employees aware of the fraud-reporting system.

For 2019, the Village did not require new employees confirm receipt of this information. Failure to notify employees of the fraud reporting system could lead to instances of unreported fraud.

In order to prevent unreported instances of fraud, the Village should communicate the fraud reporting system to its current employees and implement a process for informing new employees.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-005

Noncompliance

Ohio Rev. Code §§ 109.43(B) and 149.43(E)(1) require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

The Village's elected officials, did not, during their term of office, attend a required Certified Public Records Training or have an appropriate designee attend a training, due to deficiencies in internal controls over public records laws training procedures and monitoring. This could result in improper education of public offices regarding the offices' duties related to public records requests as well as improper withholding of information from stakeholders.

The elected officials, or their designee(s), should, during their term of office, attend public records training and maintain proof of completion of the training.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-006

Noncompliance

Ohio Rev. Code § 149.43(B)(2) provides that the entity shall have available a copy of its current records retention schedule at a location readily available to the public. The Village does not have a records retention schedule and therefore could not make it readily available to the public.

The Village should adopt and post a records retention schedule.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-007

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

The Village did not adopt an appropriation measure for 2020, causing 100% of the expenditures to exceed appropriations.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**FINDING NUMBER 2020-007
(Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-008

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such 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 treasurer'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 Rev. Code.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions 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 – The auditor or fiscal officer 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 Council 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, 100% of the transactions tested for the audit periods were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2020-008
(Continued)**

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 help ensure 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, the Fiscal Officer should certify 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.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-009

Internal Control Deficiency

Public officials are required to 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 related assets, document compliance with finance related legal and contractual requirements and prepare financial statements. The Village lacked management oversight of the payroll system. This lack of oversight is illustrated by the following conditions:

- One payment to OPERS in 2019 was not paid timely and resulted in a \$30 late fee being incurred.

In 2020 the Village determined that OPERS was withheld from a former employees pay during 2016, 2017, and 2018 but the amounts withheld, nor the employer share, were ever remitted to OPERS. The Village remitted the employee withholdings, the employer share, and \$375 in penalties and interest to OPERS during 2020.

Failure of proper management oversight for the payroll system reduces the Council's ability to monitor financial activity and increases the likelihood that errors will be made or withholding amounts will not be submitted on a timely basis. This could also result in questions regarding whether payment of late fees and accrued interest are considered expenditures for proper public purpose. Expenditures deemed to not be for proper public purpose could result in findings for recovery being issued.

To strengthen the Village's internal control structure and reduce the likelihood of undetected errors or late submissions, supporting documentation for withholding remittances should be maintained and periodically reconciled to the payroll records for assurances that the proper amounts were submitted and done so in a timely fashion to avoid any late filing penalties.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-010

Noncompliance

Maintaining organized documentation and support for financial transactions is essential in assuring the Village financial statements are not materially misstated and that all expenditures are made for a proper public purpose. Additionally, **Ohio Rev. Code § 149.351(A)** states all records that are the property of the public office shall not 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 commission provided for under Ohio Rev. Code §§149.38 through 149.42.

The Village did not maintain underlying documentation and support for:

- Receipts posted to the Mayor's Court Custodial fund in 2019.
- One Fines, Licenses & Permits receipt posted to the General fund in 2020. We were able to perform alternative audit procedures to gain the necessary audit assurances on this receipt.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Village should maintain all invoices, and documentation for all financial transactions and records should be maintained in an orderly manner to support all transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-011

Noncompliance

Ohio Rev. Code § 9.22 states no political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision except for law enforcement purposes is a violation of section 2913.21 of the Revised Code. This section does not apply to debit card accounts related to the receipt of grant moneys.

The Village used a debit card to make various purchases relating to regular Village expenses.

The Village canceled the debit card during the audit period.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-012

Internal Control Deficiency

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**FINDING NUMBER 2020-012
(Continued)**

We identified the following conditions related to the above criteria:

- Motor Vehicle License receipts in the amount of \$417 were incorrectly posted to the General fund instead of the Street Construction Maintenance and Repair fund (\$386) and the State Highway fund (\$31) for 2019.
- Motor Vehicle License receipts in the amount of \$473 were incorrectly posted to the Permissive MVL fund instead of the Street Construction Maintenance and Repair fund (\$416) and the State Highway fund (\$57) for 2019.
- Motor Vehicle License receipts in the amount of \$1,593 were incorrectly posted to the Permissive MVL fund instead of the Street Construction Maintenance and Repair fund (\$1,335) and the State Highway fund (\$258) for 2020.

The accompanying financial statements and accounting records have been adjusted for these errors. In addition to the misstatements above, immaterial misstatements ranging from \$344 to \$494 in the General fund were identified and brought to the Village's attention but were not adjusted on the accompanying financial statements.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions.

We recommend due care be exercised when posting entries to the financial records and in financial statement preparation. The Fiscal Officer should refer to the Auditor of State's Ohio Village Officer's Handbook for assistance in posting a variety of transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-013

Noncompliance

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.

**FINDING NUMBER 2020-013
(Continued)**

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 following conditions were noted related to the Mayor's Court:

- The Village was unable to provide receipts pertaining to Mayor's Court.
- The Village did not remit State or County monies for the years 2014-2019. In March 2020 the Village remitted amounts collected from 2014-2019 to Clermont County and the State of Ohio.

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

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-014

Internal Control Deficiency

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 received various payments to the Village, prepared the Village deposits, recorded receipt (deposit) information into the Village accounting system, transported the Village bank deposits to the designated depository, and reconciled the Village accounting system to the bank statement monthly. The Fiscal Officer also received Village bills, wrote and signed checks, mailed all payments, and handled all 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.

We recommend the 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 Officials to this finding.

FINDING NUMBER 2020-015

Noncompliance

Ohio Rev. Code § 5705.38(A) requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed.

The Village Council failed to pass an appropriation measure for 2020.

This is the result of the Village not reviewing the above Revised Code Section. Failure to pass an appropriation measure, which serves as a tool by which disbursements can be monitored, could result in overspending and negative cash fund balances.

The Village should pass an appropriation measure as required so disbursements can be monitored and to help ensure compliance with the Ohio Rev. Code.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-016

Noncompliance

Ohio Rev. Code § 5705.36(A)(1) provides, in part, 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.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2020. This was not detected by the Village due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

Officials' Response:

We did not receive a response from Officials to this finding.

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**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JANUARY 1, 2019 THROUGH MARCH 3, 2021**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2018-001	Encumbering Funds	No	Not corrected-reissued as finding 2020-008
2018-002	Annual Financial Reporting	Yes	
2018-003	Expenditures Exceeding Appropriations	No	Not corrected-reissued as finding 2020-007
2018-004	Fraud Reporting System	No	Not corrected-reissued as finding 2020-004
2018-005	Public Records Training	No	Not corrected-reissued as finding 2020-005
2018-006	Mayor's Court Accounting	No	Not corrected-reissued as 2020-013
2018-007	Destruction of Records	No	Not corrected-reissued as finding 2020-010
2018-008	Certification to County Auditor	No	Not corrected-reissued as finding 2020-016
2018-009	Posting Transactions	No	Not corrected-reissued as finding 2020-012
2018-010	Bank Reconciliations	Yes	
2018-011	Service Organizations	N/A	Finding no longer valid-service organization no longer used
2018-012	Budgetary Accounting System and Monitoring	Yes	
2018-013	Segregation of Duties	No	Not corrected-reissued as 2020-014

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NEWTONSVILLE

CLERMONT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/23/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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