



**Auditor of State
Betty Montgomery**

VILLAGE OF MAINEVILLE
WARREN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Maineville
Warren County
P.O. Box 227
Maineville, Ohio 45039

To the Village Council:

We have audited the accompanying financial statements of the Village of Maineville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

September 4, 2003

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$22,006	\$20,853	\$0	\$0	\$42,859
Municipal Income Tax	4,740	0	0	0	4,740
Intergovernmental Receipts	24,170	72,614	122,979	0	219,763
Fines, Licenses, and Permits	4,373	0	0	0	4,373
Earnings on Investments	306	1,077	52	0	1,435
Miscellaneous	4,552	1,012	56,575	0	62,139
	<u>60,147</u>	<u>95,556</u>	<u>179,606</u>	<u>0</u>	<u>335,309</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Community Environment	3,268	0	0	0	3,268
Transportation	0	89,420	0	0	89,420
General Government	37,329	0	0	0	37,329
Debt Service:					
Principal Payments	1,840	0	0	0	1,840
Interest Payments	3,448	972	0	0	4,420
Capital Outlay	0	56,575	166,707	0	223,282
	<u>45,885</u>	<u>146,967</u>	<u>166,707</u>	<u>0</u>	<u>359,559</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>14,262</u>	<u>(51,411)</u>	<u>12,899</u>	<u>0</u>	<u>(24,250)</u>
Fund Cash Balances, January 1	<u>21,111</u>	<u>136,062</u>	<u>0</u>	<u>353</u>	<u>157,526</u>
Fund Cash Balances, December 31	<u>\$35,373</u>	<u>\$84,651</u>	<u>\$12,899</u>	<u>\$353</u>	<u>\$133,276</u>
Reserves for Encumbrances, December 31	<u>\$587</u>	<u>\$11,523</u>	<u>\$12,847</u>	<u>\$0</u>	<u>\$24,957</u>

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Agency Fund</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$46,951	\$37,422	\$0	\$84,373
Intergovernmental Receipts	28,480	79,346	0	107,826
Fines, Licenses, and Permits	4,631	0	0	4,631
Earnings on Investments	779	1,605	0	2,384
Miscellaneous	5,251	1,647	0	6,898
	<u>86,092</u>	<u>120,020</u>	<u>0</u>	<u>206,112</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	0	26,075	0	26,075
Public Health Services	38	0	0	38
Community Environment	3,137	0	0	3,137
Transportation	0	74,172	0	74,172
General Government	66,477	0	0	66,477
Debt Service:				
Principal Payments	1,751	0	0	1,751
Interest Payments	3,529	981	0	4,510
Other	0	0	655	655
	<u>74,932</u>	<u>101,228</u>	<u>655</u>	<u>176,815</u>
Total Cash Disbursements	<u>74,932</u>	<u>101,228</u>	<u>655</u>	<u>176,815</u>
Total Receipts Over/(Under) Disbursements	<u>11,160</u>	<u>18,792</u>	<u>(655)</u>	<u>29,297</u>
Other Financing Receipts:				
Other Financing Sources	0	698	0	698
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>698</u>	<u>0</u>	<u>698</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,160	19,490	(655)	29,995
Fund Cash Balances, January 1	9,951	116,572	1,008	127,531
Fund Cash Balances, December 31	<u>\$21,111</u>	<u>\$136,062</u>	<u>\$353</u>	<u>\$157,526</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$12,650</u>	<u>\$0</u>	<u>\$12,650</u>

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Maineville, Warren County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides park operations, and police services. The Village contracts with the Hamilton Township Police Department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

During the fiscal years 2002 and 2001, the Village's funds were deposited in a "NOW" checking account and invested in certificates of deposit with a local commercial bank. The certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Police Levy Fund -This fund receives tax money for Village law enforcement and security.

3. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Ohio Public Works Fund - This fund is used to record the related receipts and expenditures of benefits received for state grant for road projects.

Community Development Block Grant Fund - This fund is used to record the related receipts and expenditures of benefits received for grant for storm drainage project.

4. Fiduciary Fund (Agency Fund)

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

Historical Society Fund – This fund is used to account for donations for the Maineville Historical Society.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2002	2001
Demand deposits	\$124,556	\$148,806
Certificates of deposit	8,720	8,720
Total deposits	\$133,276	\$157,526

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

3. BUDGETARY ACTIVITY

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,500	\$60,147	\$24,647
Special Revenue	101,415	95,556	(5,859)
Capital Projects	56,575	179,606	123,031
Total	\$193,490	\$335,309	\$141,819

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,235	\$47,472	\$4,763
Special Revenue	167,487	158,490	8,997
Capital Projects	56,575	179,554	(122,979)
Total	\$276,297	\$385,516	(\$109,219)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,787	\$86,092	\$13,305
Special Revenue	97,350	120,718	23,368
Total	\$170,137	\$206,810	\$36,673

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,016	\$74,932	\$11,084
Special Revenue	209,148	113,878	95,270
Total	\$295,164	\$188,810	\$106,354

During 2002, expenditures exceeded appropriations in the Capital Projects Fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. This tax was enacted during 2002 and became effective October 1, 2002.

The Village contracts with the Regional Income Tax Authority (RITA) for the purpose of administering the tax laws of the Village and collecting income taxes on behalf of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Municipal Building Note	\$76,199	5.60%

The Municipal Building Note proceeds were used for the purchase of real property to house municipal operations. The note will be repaid in annual installments of \$6,261, including interest, over 30 years. The note is uncollateralized.

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

Year Ending December 31:	Municipal Building Note
2003	\$ 6,261
2004	6,261
2005	6,261
2006	6,261
2007	6,261
Subsequent	100,177
Total	\$131,482

7. RETIREMENT SYSTEMS

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

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

Village of Maineville
Warren County
P.O. Box 227
Maineville, Ohio 45039

To the Village Council:

We have audited the accompanying financial statements of the Village of Maineville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 4, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 4, 2003.

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

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

Betty Montgomery
Auditor of State

September 4, 2003

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation/Reportable condition

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision shall make any expenditures of money unless it has been properly appropriated. During 2002, expenditures of \$137,554 exceeded appropriations of \$56,575 by \$80,979 in the Ohio Public Works Fund, and expenditures of \$42,000 exceeded appropriations by \$42,000 in the Community Development Block Grant Fund.

Capital Projects funds expenditures exceeded the appropriation authority because the Village did not record expenditures for payments by the State to contractors on behalf of the Village and therefore did not establish the required budgetary authority. Guidance for the accounting treatment for on-behalf transactions is set forth in Auditor of State Bulletins 2000-08 and 2002-04.

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**VILLAGE OF MAINEVILLE
WARREN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30483-001	Receipts were not posted to the proper funds	Yes	
2000-30483-002	The availability of funds was not certified for certain commitments	No	Partially Corrected - Reissued in management letter
2000-30483-003	Expenditures exceeded appropriations in various funds.	No	Not corrected - Reissued as finding 2002-001
2000-30483-004	An appropriation ledger and receipt ledger were not maintained	Yes	
2000-30483-005	Appropriations were not approved by Council	Yes	
2000-30483-006	Mayor's Court monies were not paid into the treasury on a timely basis	Yes	
2000-30483-007	Minutes were not accurately maintained	Yes	
2000-30483-008	Records were destroyed	Yes	
2000-30483-009	Mayor's Court was not properly maintained	Yes	
2000-30483-010	Inadequate segregation of duties due to the size of the Village	Yes	
2000-30483-011	Budgetary procedures were not followed by Village officials	Yes	



**Auditor of State
Betty Montgomery**

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VILLAGE OF MAINEVILLE

WARREN 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
OCTOBER 7, 2003**