



Dave Yost • Auditor of State

VILLAGE OF MILLVILLE
BUTLER COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 18, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Millville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. 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.

Except as described in paragraph six, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position.

We were not unable to obtain sufficient evidence to support the completeness and accuracy of the Hall rental miscellaneous receipts in 2010 and 2009, comprising approximately 5% of the total General Fund cash receipts for 2010 and 15% in 2009, nor were we able to satisfy ourselves of the completeness by other auditing procedures.

Also, in our opinion, except for such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient evidence supporting the Hall rental miscellaneous receipts noted in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Millville, Butler County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

November 18, 2011

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$23,251	\$7,388	\$30,639
Intergovernmental	24,316	30,096	54,412
Fines, Licenses and Permits	9,343	0	9,343
Earnings on Investments	926	206	1,132
Miscellaneous	45,185	0	45,185
Total Cash Receipts	<u>103,021</u>	<u>37,690</u>	<u>140,711</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	39,068	0	39,068
Public Health Services	1,311	0	1,311
Basic Utility Service	253	0	253
Transportation	0	15,224	15,224
General Government	62,763	0	62,763
Total Cash Disbursements	<u>103,395</u>	<u>15,224</u>	<u>118,619</u>
Total Receipts Over/(Under) Disbursements	<u>(374)</u>	<u>22,466</u>	<u>22,092</u>
Fund Cash Balances, January 1	<u>603,092</u>	<u>125,876</u>	<u>728,968</u>
Fund Cash Balances, December 31	<u>\$602,718</u>	<u>\$148,342</u>	<u>\$751,060</u>

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

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$24,195	\$5,168	\$29,363
Intergovernmental	23,989	29,521	53,510
Fines, Licenses and Permits	9,293	0	9,293
Earnings on Investments	924	211	1,135
Miscellaneous	11,676	0	11,676
	<u>70,077</u>	<u>34,900</u>	<u>104,977</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	10,957	0	10,957
Public Health Services	256	0	256
Community Environment	100	0	100
Basic Utility Service	1,448	0	1,448
Transportation	0	50,022	50,022
General Government	60,943	0	60,943
Capital Outlay	0	41,950	41,950
	<u>73,704</u>	<u>91,972</u>	<u>165,676</u>
Total Receipts Over/(Under) Disbursements	<u>(3,627)</u>	<u>(57,072)</u>	<u>(60,699)</u>
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	59,500	0	59,500
	<u>59,500</u>	<u>0</u>	<u>59,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	55,873	(57,072)	(1,199)
Fund Cash Balances, January 1	<u>547,219</u>	<u>182,948</u>	<u>730,167</u>
Fund Cash Balances, December 31	<u>\$603,092</u>	<u>\$125,876</u>	<u>\$728,968</u>

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

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Millville, Butler County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village contracts with Ross Township to receive road maintenance, security of persons and property, and fire protection services.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

The Village maintains a general checking account.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

VILLAGE OF MILLVILLE
BUTLER COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits and Investments

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:

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$751,060</u>	<u>\$728,968</u>

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

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,078	\$103,021	\$56,943
Special Revenue	32,350	37,689	5,339
Total	\$78,428	\$140,710	\$62,282

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$282,580	\$103,394	\$179,186
Special Revenue	86,500	15,224	71,276
Total	\$369,080	\$118,618	\$250,462

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,860	\$73,704	\$76,156
Special Revenue	134,657	91,972	42,685
Total	\$284,517	\$165,676	\$118,841

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$129,577	\$129,577
Special Revenue	0	34,899	34,899
Total	\$0	\$164,476	\$164,476

Contrary to Ohio law:

The Village did not prepare the resolution accepting the amounts and rates in 2009.

The Village did not prepare the certificate of total amounts available in 2009 or 2010.

The Village did not prepare a certificate of estimated resources in 2009. This also resulted in appropriations exceeded estimated resources in 2009.

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax

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

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

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

5. Retirement Systems

A. Ohio Public Employee Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10 and 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2010 and 2009, 2 and 2 employees, respectively, of the Village have elected Social Security. The employees' liability is 6.2 percent of wages paid.

6. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Other Material Noncompliance

Contrary to Ohio law, the Village did not maintain complete and accurate minutes records.

Contrary to Ohio law, the Village did not maintain a sufficient accounting system or integrate budgetary accounts into the financial accounting system accurately.

Contrary to Ohio law, the Village did not design an adequate system of internal control.

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

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

To the Village Council:

We have audited the financial statements of the Village of Millville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 18, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our report because we were unable to obtain sufficient evidence to support the completeness of the General Fund miscellaneous receipts in 2010 and 2009. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses.

However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2001-001 and 2010-004 in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-005 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 18, 2011

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 18, 2011

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Noncompliance Citation / Material Weakness

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

Ohio Admin. Code § 117-2-01(D) states "When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements."

The Village does not have an adopted policy manual nor designed control procedures over the cycles/activities of the Village. The Village lacked adequate controls and did not retain certain public records:

Hall Rental and Donation Receipts

The Village did not maintain supporting documentation for hall rental receipts such as who rented the hall, for how long and the amounts paid for the rental. The Village also did not maintain supporting documentation for festival donations and other miscellaneous receipts. In 2010, the Village did not provide supporting documentation for 6 receipts totaling \$3,021, in 2009; the Village did not provide supporting documentation for 11 receipts totaling \$67,351. Due to lack of supporting documentation, it could not be determined if the proper rates were charged in relation to hall rentals.

Also, the Village does not utilize duplicate pre-numbered receipts. The hall rental and donations receipts activity (\$5,379 in 2010 and \$10,326 in 2009) is reflected in the Miscellaneous Cash Receipts line item on the financial statements and comprises 5% and 15%, respectively, of total cash receipts in the General Fund.

The items noted above resulted in an inability to obtain sufficient evidence to support the completeness of miscellaneous receipts, resulting in a qualified opinion on the financial statements.

**FINDING NUMBER 2010-001
(Continued)**

Pooled Collateral Statements

The Village did not maintain pooled collateral statements for their deposited funds with First Financial Bank.

We recommend the Village maintain supporting all receipt documentation. Rental contracts should be utilized showing who rented the hall, date of rental, length of rental, and total rental amount. These contracts should also include rules and/or regulations for renting the hall to reduce liability to the Village. We also recommend the Village maintain quarterly pooled collateral statements for their bank accounts

FINDING NUMBER 2010-002

Noncompliance Citation

Ohio Revised Code, Section 5705.34, states in part "Each taxing authority, by ordinance or resolution, shall authorize the necessary tax levies and certify them to the county auditor before the first day of October in each year, or at such later date as is approved by the tax commissioner." The Village did not approve the tax rate resolution in 2009 and did not certify them to the County Auditor by the required date. Failure to properly authorize the necessary tax levies by the required deadline could result in the loss of tax funding. We recommend the Village pass the necessary resolution and certify the necessary tax levies to the county auditor by the required deadline.

Ohio Revised Code, Section 5705.36 (A)(1), states 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 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year." The Village did not complete certificates of the total amount from all sources available for expenditures and balances for 2009 or 2010. Failure to complete said certificates could result in loss of tax funding. We recommend the Village complete the annual certificates of the total amount from all sources available for expenditures and balances each fiscal year.

Ohio Revised Code, Section 5705.36 (A)(2), requires the Village to submit an amended certificate of estimated resources to the budget commission if the clerk determines the revenue collected by the Village will be greater or less than the original certificate of estimated resources submitted by the Village. In FY09, the Village failed to file a certificate of estimated resources or any amended certificates of estimated resources to the budget commission. Failure to file a certificate of estimated resources and any required amended certificates of estimated resources could result in the loss of tax funding. We recommend the Village file a certificate of estimated resources and any applicable amended certificates of estimated resources with the budget commission each fiscal year.

Ohio Revised Code, Section 5705.39, states "The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals."

**FINDING NUMBER 2010-002
 (Continued)**

At December 31, 2009, the appropriations exceeded estimated resources as follows:

Fund	Appropriations	Estimated Resources	Variance
General	\$149,860	\$0	(\$149,860)
Street Maintenance & Repair	125,000	0	(125,000)
State Highway	9,657	0	(9,657)

Failure to limit appropriations to total estimated revenue may result in the Village incurring obligations that exceed their available resources and negative fund balances. We recommend the Village limit appropriations to the total estimated revenue per fund.

FINDING NUMBER 2010-003

Noncompliance Citation

Ohio Ethics Commission Advisory Opinion 96-001 states “(1) Division (D) of Section 102.03 of the Revised Code prohibits all municipal officers of a statutory city or village, including a mayor, law director, president of council, and council members, from authorizing, or using the authority or influence of their office, formally or informally, to enact an ordinance that will increase compensation to which they are entitled in their next term of office, after knowing that they have been reelected to the office, but prior to the beginning of their new term; (2) Division (E) of Section 102.03 of the Revised Code prohibits all municipal officers of a statutory city or village, including a mayor, law director, president of council, and council members, from accepting an increase in compensation to which they are entitled in their next term of office, after knowing that they have been reelected to the office, but prior to the beginning of their new term; and (3) Because the Ohio Ethics Law and related statutes establish a uniform standard of ethical conduct for all persons who serve as public officials, these statutes apply equally to an incumbent public official, who at the time is also an unchallenged candidate for office.”

In 2007, after the election in which the Mayor ran unchallenged for reelection, the Village Council voted to increase the Mayor’s annual salary from \$1,000 per year to \$1,500 per year for his term to begin in 2008.

We recommend the Village approve all public officials’ salary increases for upcoming terms prior to the public official being elected to their position.

We will refer this item to the Ethics Commission.

FINDING NUMBER 2010-004

Noncompliance Citation / Material Weakness

Ohio Revised Code, § 733.28, states "The village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived there from, and of all taxes and assessments."

We noted the Village did not post receipts to the proper account code:

- In FY10, one receipt in the total amount of \$9,343 was posted to miscellaneous revenue instead fines, licenses, and permits, as required.
- In FY09, four receipts in the total amount of \$68,793 were posted to miscellaneous revenue and should have been posted to other account codes. Three of these receipts totaling \$59,500 should have been posted to the sale of fixed assets account code. The other of these receipts in the amount of \$9,293 should have been posted to fines, licenses, and permits.

Failure to properly record receipts could result in misstatements in the Village's financial statements.

We recommend the Village maintain accurate financial records according to the "Village Officer's Handbook" and post applicable receipts according to this handbook.

FINDING NUMBER 2010-005

Noncompliance Citation / Significant Deficiency

Ohio Revised Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**FINDING NUMBER 2010-005
(Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year.

More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify Purchase Orders. Of the forty transactions tested in 2009 and 2010, none of the purchase orders were certified (signed) by the Fiscal Officer prior to incurring the obligation, therefore, the expenditures were not properly encumbered. Furthermore, there was no evidence that any of the above mentioned exceptions were utilized. Failure to properly certify the availability of funds could result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used or Blanket certificates.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

FINDING NUMBER 2010-006

Noncompliance Citation

Ohio Revised Code, Sections 121.22 (C) and 149.43, when read together imposes a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection.

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

FINDING NUMBER 2010-006
(Continued)

Also, the Village's minutes should be signed by at least a councilmember and the mayor or clerk noting the minutes are approved as prepared. Also the Village should approve all minutes from the preceding meeting at the following meeting.

We noted the following issues in the Village's minutes:

- We were unable to determine if Council was properly paid in 2009 and 2010 (the Village was unable to provide us with a statute that stated Council Members were to be paid for each meeting whether they attended or not, due to the prior audit periods minutes documentation being incomplete).
- We were unable to determine if an employee received a pay increase from 2008 to 2009 due to possible incomplete minutes being received from the Village during the audit period.
- The Village did not notify the public of the date, time, and location of the Village Council Meetings.
- The mayor or clerk did not sign the minutes for 14 meetings in 2010. A councilmember did not sign the minutes at all in 2010 or 2009.
- The Council did not approve the prior meeting minutes 2 times in 2009.

Failure to properly maintain minutes could lead to possible discrepancies in resolutions being passed by the Village which could lead to disputes between the Village and the public over funds, laws, etc. Failure to notify the public of council meetings could lead to the public not being properly represented at the council meetings and therefore the Village may not always have the public's best interests in mind. Failure to have the minutes signed by a councilmember and the clerk and failure to have the Village Council approve minutes from the prior meeting could lead to the minutes being altered after the fact without Council knowledge.

We recommend the Village document all actions of the Board in the board minutes and promptly maintain a complete record of all board proceedings. We also recommend the Village notify the public of the date, time, and location of all council meetings. We also recommend the Village type all minutes and have them signed by a member of Council and the mayor or clerk of the Village. We also recommend the Village approve all minutes of the prior council meeting.

FINDING NUMBER 2010-007

Noncompliance Citation

Ohio Admin. Code, § 117-2-02(C)(1), states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**FINDING NUMBER 2010-007
 (Continued)**

The Village failed to accurately post estimated resources and appropriations to their accounting system. The following differences were noted between the system and the approved budgetary documents each fiscal year:

Fund	Amount Per Appropriation Resolution	Amount Posted to the Accounting System	Variance
General - 2009	\$149,860	\$150,060	\$200
State Highway - 2009	9,657	10,357	700
General - 2010	282,580	255,580	(27,000)
State Highway - 2010	6,500	6,200	(300)

Fund	Amount Per Certificate of Estimated Resources	Amount Posted to the Accounting System	Variance
General - 2009	\$0	\$97,678	\$97,678
Street Maintenance & Repair - 2009	0	25,200	25,200
State Highway - 2009	0	1,950	1,950
Permissive Motor Vehicle - 2009	0	5,200	5,200

The Village used amounts from official appropriation resolution and certificate of estimated resources for the budgetary activity disclosure in the financial statement footnotes; however, failure to accurately integrate budgetary accounts into the financial accounting system could result in excessive spending and possible negative fund balances.

We recommend that the Village accurately post estimated resources and appropriations to their accounting system. Once posted, the Village Clerk and the Village Council Members should compare the estimated resources and appropriations on the accounting system to the official documents.

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

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**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC § 5705.41(D)(1), failure to properly certify funds	No	Not corrected – Re-issued
2008-002	ORC §§ 121.22(C) and 149.43, failure to maintain proper minutes records	No	Not corrected – Re-issued
2008-003	ORC § 733.28 and OAC § §117-2-02(A) and 117-2-02(D), failure to maintain proper accounting records	No	Not corrected – Re-issued
2008-004	OAC § §117-2-02(C)(1), failure to integrate budgetary information into accounting system	No	Not corrected – Re-issued
2008-005	ORC §§ 5705.28, 5705.34, 5705.36(A)(1), 5705.38(A), 5705.41(B), and 5705.39, required budgetary actions	No	Corrected only ORC 5705.28 other items reissued.
2008-006	OAC § 117-2-01(D), lack of internal controls	No	Not corrected – Re-issued
2008-007	ORC §§ 135.12(B) and 135.18(A), failure to designate a depository and secure adequate collateral	Yes	

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Dave Yost • Auditor of State

VILLAGE OF MILLVILLE

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 6, 2011