



**Auditor of State
Betty Montgomery**

VILLAGE OF MILLVILLE
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	5
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	15

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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, 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 June 16, 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 the 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

June 16, 2003

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$17,173	\$0	\$17,173
Intergovernmental	152,513	12,793	165,306
Charges for Services	15,000	0	15,000
Fines, Licenses and Permits	6,669	0	6,669
Earnings on Investments	846	177	1,023
Miscellaneous	7,526	0	7,526
Total Cash Receipts	<u>199,727</u>	<u>12,970</u>	<u>212,697</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	41,751	0	41,751
Public Health Services	148	0	148
Transportation	0	14,853	14,853
General Government	35,103	0	35,103
Capital Outlay	113,532	0	113,532
Total Cash Disbursements	<u>190,534</u>	<u>14,853</u>	<u>205,387</u>
Total Receipts Over/(Under) Disbursements	9,193	(1,883)	7,310
Other Financing Receipts:			
Sale of Fixed Assets	900	0	900
Total Other Financing Receipts	<u>900</u>	<u>0</u>	<u>900</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>10,093</u>	<u>(1,883)</u>	<u>8,210</u>
Fund Cash Balance, January 1	<u>208,881</u>	<u>100,938</u>	<u>309,819</u>
Fund Cash Balance, December 31	<u><u>\$218,973</u></u>	<u><u>\$99,056</u></u>	<u><u>\$318,029</u></u>
Reserve for Encumbrances, December 31	<u><u>\$1,357</u></u>	<u><u>\$0</u></u>	<u><u>\$1,357</u></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 FISCAL YEAR ENDING DECEMBER 31, 2001**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$16,910	\$0	\$16,910
Intergovernmental	47,888	22,570	70,458
Charges for Services	13,500	0	13,500
Fines, Licenses and Permits	5,592	0	5,592
Earnings on Investments	5,461	102	5,563
Miscellaneous	46,975	0	46,975
Total Cash Receipts	136,326	22,672	158,998
Cash Disbursements:			
Current:			
Security of Persons and Property	102,066	0	102,066
Public Health Services	311	0	311
Transportation	0	21,451	21,451
General Government	47,175	0	47,175
Total Cash Disbursements	149,552	21,451	171,003
Total Receipts Over/(Under) Disbursements	(13,226)	1,221	(12,005)
Other Financing Receipts:			
Sale of Fixed Assets	2,000	0	2,000
Total Other Financing Receipts	2,000	0	2,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(11,226)	1,221	(10,005)
Fund Cash Balance, January 1	220,106	99,717	319,824
Fund Cash Balance, December 31	\$208,881	\$100,938	\$309,819
Reserve for Encumbrances, December 31	\$618	\$0	\$618

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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Millville, Butler 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 and elected Mayor. The Village provides general services including road repair and Fire protection. The Village contracts with the Butler County Sheriff's 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 Deposits

Certificates of deposit are valued at cost.

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

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, 2002 AND 2001
(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 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 unencumbered 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 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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as a liability under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Village maintains a cash and deposits 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:

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

2. EQUITY IN POOLED CASH AND DEPOSITS (Continued)

	2002	2001
Demand deposits	\$281,959	\$274,293
Certificates of deposit	36,070	35,526
Total deposits	\$318,029	\$309,819

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	\$117,044	\$200,626	\$83,582
Special Revenue	14,200	12,970	(1,230)
Total	\$131,244	\$213,596	\$82,352

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,133	\$191,891	(\$99,758)
Special Revenue	101,938	14,853	87,085
Total	\$194,071	\$206,744	(\$12,673)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,639	\$138,326	\$64,687
Special Revenue	14,200	22,672	8,472
Total	\$87,839	\$160,998	\$73,159

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,285	\$150,170	(\$47,885)
Special Revenue	97,149	21,451	75,698
Total	\$199,434	\$171,621	\$27,813

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

The Village was not certifying the available for certain commitments in 2002 and 2001. Also budgetary expenditures exceeded appropriation authority in the General fund for the years ended December 31, 2002 and 2001.

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.

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

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. The plan provide 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, members of the PERS contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. RELATED PARTY

The Clerk is the owner of a company which the Village used to service and repair their vehicles during 2002 and 2001. The Village paid \$2,027 and \$ 1,690 in 2002 and 2001 respectively for these services.

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

8. VOLUNTEER FIRE DEPARTMENT

The Millville Fire Association was organized to provide fire protection for the Village of Millville and surrounding townships. The Fire Association is a 501(C)(3) organization. The Association applies for its own State of Ohio grants through the Village. All grants are applied for under the name "Millville Fire Department" and the Village's federal ID number is used. The Village received state grants in 2001 and 2002 totaling \$13,456 and \$ 6,970 respectively. All monies are received by the Chief, given to the Clerk, deposited into the Village account/recorded on the Village books, and a check is written from the village account to the Fire Association. In 2001 the Village contributed \$52,950, to the Fire Association for a fire truck. The title for all of the fire equipment is held by the Village. The Fire Chief and Assistant Fire Chief's salaries are paid by the Village. At December 31, 2002 the fire Association had an unaudited cash balance of \$ 70,000.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 accompanying financial statements of the Village of Millville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 16, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 to 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 16, 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 reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 2002-002 and 2002-003.

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 weakness. However, we believe none of the reportable conditions described above is a material weakness. We also noted certain 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 June 16, 2003.

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



Betty Montgomery
Auditor of State

June 16, 2002

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be null and void, and no warrant shall be issued in payment of any amount due thereon.

The law provides for the following exception:

Then and Now Certificates: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing the certification, 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 taxing unit can authorize the drawing of a warrant. The taxing unit then has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing unity. For political subdivisions (other than counties), amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing unit upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not however eliminate any otherwise applicable requirement for approval of expenditures by the taxing unit.

Contrary to the above requirements, the Village did not properly certify the availability of funds (56% of transactions tested). The Village does not utilize "Then and Now Certificates" and therefore the exception to the requirement did not apply.

To ensure that all expenditures are properly encumbered, the Village should certify the availability of funds in compliance with the requirements described above.

FINDING NUMBER 2002-002

Noncompliance/ Reportable Condition

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village's general fund had expenditure of \$ 190,534 and \$ 149,552 during 2002 and 2001 that exceeded appropriations of \$ 92,133 and \$ 102,285 respectively. The Community Development Block Grant Money was post to the general fund however a corresponding appropriation was not made for the expenditure.

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-003

Noncompliance/ Reportable Condition

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to Village of Millville recording the appropriations, Ohio Rev. Code Section 5705.40, requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Community Development Block Grant (CDBG) monies disbursed on behalf of the Village for 2002. The Grant monies were not included in the appropriations by the Village Council for the audit period. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$ 113,532 (CDBG) for the year ended December 31, 2002.

**VILLAGE OF MILLVILLE
BUTLER COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30409-001	Revised Code 5705.41(D), failure to certify funds	No	This cite will be reissued for the current audit as 2002-001.
2000-30409-002	Revised Code 135.18, failure to provide adequate security for funds on deposit.	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF MILLVILLE

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2003**