



Dave Yost • Auditor of State

VILLAGE OF OWENSVILLE
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Agency Fund - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Agency Fund - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Owensville
Clermont County
115 West Main Street
Owensville, Ohio 45160

To the Council Members:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Owensville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Owensville, Clermont County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Owensville adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 31, 2013

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$18,871	\$56,943	\$75,814
Municipal Income Tax	114,921	0	114,921
Intergovernmental	118,337	31,882	150,219
Charges for Services	765	32	797
Fines, Licenses and Permits	76,573	6,315	82,888
Earnings on Investments	378	28	406
Miscellaneous	40,020	810	40,830
<i>Total Cash Receipts</i>	<u>369,865</u>	<u>96,010</u>	<u>465,875</u>
Cash Disbursements			
Current:			
Security of Persons and Property	255,226	50,975	306,201
Public Health Services	2,385	0	2,385
Leisure Time Activities	17,245	0	17,245
Transportation	0	18,633	18,633
General Government	171,087	11,263	182,350
<i>Total Cash Disbursements</i>	<u>445,943</u>	<u>80,871</u>	<u>526,814</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(76,078)</u>	<u>15,139</u>	<u>(60,939)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(76,078)</u>	<u>15,139</u>	<u>(60,939)</u>
<i>Fund Cash Balances, January 1</i>	<u>474,748</u>	<u>124,410</u>	<u>599,158</u>
Fund Cash Balances, December 31			
Restricted	0	139,549	139,549
Unassigned (Deficit)	398,670	0	398,670
<i>Fund Cash Balances, December 31</i>	<u><u>\$398,670</u></u>	<u><u>\$139,549</u></u>	<u><u>\$538,219</u></u>

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

VILLAGE OF OWENSVILLE
CLERMONT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

Non-Operating Receipts (Disbursements)	
Other Financing Sources	\$99,221
Other Financing Uses	<u>(102,578)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(3,357)</u>
<i>Net Change in Fund Cash Balance</i>	(3,357)
<i>Fund Cash Balance, January 1</i>	<u>4,099</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$742</u></u>

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

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$24,805	\$59,578	\$84,383
Municipal Income Tax	116,865	0	116,865
Intergovernmental	121,194	35,041	156,235
Charges for Services	874	0	874
Fines, Licenses and Permits	99,365	11,467	110,832
Earnings on Investments	594	149	743
Miscellaneous	30,891	0	30,891
<i>Total Cash Receipts</i>	<u>394,588</u>	<u>106,235</u>	<u>500,823</u>
Cash Disbursements			
Current:			
Security of Persons and Property	219,352	53,013	272,365
Public Health Services	2,800	0	2,800
Leisure Time Activities	8,756	0	8,756
Transportation	165,307	20,261	185,568
General Government	3,897	7,064	10,961
Capital Outlay	0	1,501	1,501
<i>Total Cash Disbursements</i>	<u>400,112</u>	<u>81,839</u>	<u>481,951</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,524)</u>	<u>24,396</u>	<u>18,872</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(12)	0	(12)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12)</u>	<u>0</u>	<u>(12)</u>
<i>Net Change in Fund Cash Balances</i>	(5,536)	24,396	18,860
<i>Fund Cash Balances, January 1</i>	<u>480,238</u>	<u>100,014</u>	<u>580,252</u>
Fund Cash Balances, December 31			
Restricted	0	124,410	124,410
Unassigned (Deficit)	<u>474,702</u>	<u>0</u>	<u>474,702</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$474,702</u></u>	<u><u>\$124,410</u></u>	<u><u>\$599,112</u></u>

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

VILLAGE OF OWENSVILLE
CLERMONT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

Non-Operating Receipts (Disbursements)	
Other Financing Sources	\$127,848
Other Financing Uses	<u>(125,498)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>2,350</u>
<i>Net Change in Fund Cash Balance</i>	2,350
<i>Fund Cash Balance, January 1</i>	<u>1,749</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$4,099</u></u>

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

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Owensville, Clermont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and repair and police services. The Village contracts with Stonelick Township to receive fire protection services and EMS 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. Deposits

During 2011 and 2012, the Village's fund were kept in an interest bearing 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Fund – This fund receives property tax money to fund the police department.

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court activity contains the annual revenue generated by the Mayor' Court and the distributions made by the Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. 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:

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

5. 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.

G. 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.

H. Accumulated Leave

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

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$291,784	\$356,299
Savings account	247,177	246,912
Total deposits	\$538,961	\$603,211

Deposits: Deposits are 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, 2012 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$326,797	\$369,864	\$43,067
Special Revenue	93,741	96,010	2,269
Total	\$420,538	\$465,874	\$45,336

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$446,797	\$445,943	\$854
Special Revenue	94,800	80,871	13,929
Total	\$541,597	\$526,814	\$14,783

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$343,684	\$394,588	\$50,904
Special Revenue	98,044	106,235	8,191
Total	\$441,728	\$500,823	\$59,095

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$415,407	\$400,124	\$15,283
Special Revenue	106,477	81,839	24,638
Total	\$521,884	\$481,963	\$39,921

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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.

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.

5. Local Income Tax

The Village levies a municipal income tax of 1% 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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

7. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

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 Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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 ARPCO. 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, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$12,684.

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.

VILLAGE OF OWENSVILLE
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

7. Risk Management (Continued)

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$14,749	\$17,361

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.

This page intentionally left blank



Dave Yost • Auditor of State

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

Village of Owensville
Clermont County
115 West Main Street
Owensville, Ohio 45160

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Owensville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted that in 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001, 2012-002, and 2012-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 31, 2013

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Noncompliance Citation/Material Weakness

Ohio Admin. Code § 117-2-02 (C)(1) states 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.

Appropriations posted to the accounting system did not agree with appropriations made by the Village Council in the following funds:

Year	Fund Type	Appropriations Adopted or Filed	Appropriations Posted in the Accounting System	Variance
2011	General	\$415,407	\$398,509	\$16,898
2011	Special Revenue	\$106,465	\$94,099	\$12,366
2012	General	\$446,797	\$449,188	\$2,391

Failure to post the appropriations that have been approved by the Village Council increases the risk that the Council will monitor financial activity using an inaccurate budget.

We recommend that the Council adopt appropriations and the amounts adopted should be recorded in the minute records. Only those appropriations that are adopted by the Council in the minute records should be posted in the accounting system and reported in the financial statements.

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Rev. Code, §733.40, requires that all moneys 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.

We noted that the mayor failed to make timely payments to the Village ten out of twenty-four times. This could result in errors being undetected in a timely manner.

We recommend that the Village be paid its distribution each month prior to the first Monday.

FINDING NUMBER 2012-003

Noncompliance Citation/Material Weakness

Ohio Admin. Code § 117-2-02(A), requires public offices to maintain an accounting system and accounting records sufficient to enable the public to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village had the following posting errors which resulted in audit adjustments:

- The Village posted Homestead and Rollback to Taxes rather than to Intergovernmental Revenue. This resulted in a reclassification in the General Fund of \$2,116 in 2011 and \$1,951 in 2012. The Police Fund had a reclassification of \$4,200 in 2011 and \$4,330 in 2012.
- The Village posted SB3/SB297 and TPP Replacement revenue as Taxes rather than as Intergovernmental Revenue. This resulted in reclassifications in General Fund of \$298 and in the Police Fund of \$577 in 2011.
- The Village posted Gasoline Excise Tax and State & Local Government Highway Distribution money as Taxes rather than Intergovernmental Revenue for one month in the Street Fund. This resulted in a reclassification of \$2,236 in 2012.
- The Village posted \$1,430 to the State Highway Fund in the Intergovernmental Revenue rather than the Street Fund in Intergovernmental Revenue. This resulted in an adjustment between funds in 2011.
- The Village posted \$6,644 of Local Government Distribution in the General Fund to Municipal Taxes instead of Intergovernmental Revenue in 2011.
- During 2011, \$312 of Local Government Distribution was posted to the General Fund Property Taxes instead of Intergovernmental Revenue.
- A police officer paid the Village \$200 for a training class which was posted to Intergovernmental revenue instead of Miscellaneous Revenue in 2012.
- The Village double posted the April receipt of State & Local Government Highway Distribution in the Street Fund and State Highway Fund. When the error was discovered by the Fiscal Officer reduced revenues in General Fund Municipal Taxes instead of the funds where the error occurred. This resulted in an adjustment to increase General Fund Municipal Taxes by \$780, decrease Street Fund Intergovernmental Revenue by \$721 and decrease State Highway Fund Intergovernmental Revenue by \$58 in 2012.
- Drug fines from the Mayor's Court posted to the Drug Law Enforcement Fund were posted to Miscellaneous rather than Fines, Licenses, and Forfeitures. This resulted in a reclassification of \$810 in 2012 and \$2,339 in 2011.
- Miscellaneous items, in the General Fund, such as refunds and reimbursements were posted as Other Financing Sources rather than as Miscellaneous Revenue. This resulted in a reclassification of \$31,587 in 2012 and \$20,102 in 2011.

As a result of these errors, certain line items and fund balances were incorrectly reported on the Annual Report. Reclassifications and adjustments were made to individual line items on the financial statements and accounting records, where appropriate.

FINDING NUMBER 2012-003
(Continued)

We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in accurately reflecting the Village's financial activity in the annual report. The Fiscal Officer should also refer to the Village Handbook to assist in the proper posting of the Village's financial transactions.

This page intentionally left blank.

**VILLAGE OF OWENSVILLE
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Revenue reclassifications and presenting Mayor's Court in the financial statements	No	Partially Corrected. Re-issued 2012-003
2010-02	5705.41(D) properly encumbering	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF OWENSVILLE

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 19, 2013**