

VILLAGE OF MILLVILLE
BUTLER COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**



Dave Yost • Auditor of State

Village Council
Village of Millville
2860 Ross Hanover Road
Millville, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Village of Millville, Butler County, prepared by Bastin & Company, LLC, for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Millville is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 3, 2015

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VILLAGE OF MILLVILLE
BUTLER COUNTY, OHIO

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Millville, Butler County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 Principle

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, 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 the Village of Millville, Butler County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2015, 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.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink and is positioned above the typed name and date.

Cincinnati, Ohio
August 14, 2015

**VILLAGE OF MILLVILLE
BUTLER COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<i>Cash Receipts:</i>			
Property and Other Local Taxes	\$ 20,260	\$ 30,916	\$ 51,176
Intergovernmental	19,329	69,685	89,014
Charges for Services	9,400	-	9,400
Fines, Licenses and Permits	8,380	-	8,380
Miscellaneous	207	-	207
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	57,576	100,601	158,177
<i>Cash Disbursements:</i>			
Current:			
Security of Persons and Property	19,048	854	19,902
Transportation	-	100,735	100,735
General Government	72,183	-	72,183
Capital Outlay	20,890	-	20,890
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	112,121	101,589	213,710
Net Change in Fund Cash Balances	(54,545)	(988)	(55,533)
Fund Cash Balances, January 1	<hr/> 477,107	<hr/> 202,463	<hr/> 679,570
Fund Cash Balances, December 31			
Restricted	-	201,475	201,475
Assigned	868	-	868
Unassigned	421,694	-	421,694
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 422,562</u>	<u>\$ 201,475</u>	<u>\$ 624,037</u>

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

**VILLAGE OF MILLVILLE
BUTLER COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<i>Cash Receipts:</i>			
Property and Other Local Taxes	\$ 18,958	\$ 29,129	\$ 48,087
Intergovernmental	14,308	32,582	46,890
Charges for Services	3,051	-	3,051
Fines, Licenses and Permits	8,618	-	8,618
Miscellaneous	3,153	-	3,153
Total Cash Receipts	<u>48,088</u>	<u>61,711</u>	<u>109,799</u>
<i>Cash Disbursements:</i>			
Current:			
Security of Persons and Property	17,580	66,000	83,580
Transportation	-	27,015	27,015
General Government	58,772	-	58,772
Capital Outlay	8,353	-	8,353
Total Cash Disbursements	<u>84,705</u>	<u>93,015</u>	<u>177,720</u>
Net Change in Fund Cash Balances	(36,617)	(31,304)	(67,921)
Fund Cash Balances, January 1	<u>513,724</u>	<u>233,767</u>	<u>747,491</u>
Fund Cash Balances, December 31			
Restricted	-	202,463	202,463
Unassigned	<u>477,107</u>	<u>-</u>	<u>477,107</u>
Fund Cash Balances, December 31	<u>\$ 477,107</u>	<u>\$ 202,463</u>	<u>\$ 679,570</u>

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

VILLAGE OF MILLVILLE
BUTLER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance and contracts with Ross Township to provide fire protection 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

VILLAGE OF MILLVILLE
BUTLER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

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.

Permissive Motor Vehicle License Fund - This fund receives distribution of motor vehicle license tax from the county auditor to maintain and repair roads and road equipment.

Fire/EMS Fund - This fund receives property tax money to pay the cost of fire protection and EMS services provided under contract with Ross Township.

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. 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 approve estimated resources. The Village did not prepare or obtain a certificate of estimated resources for the year ended December 31, 2013.

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. The Village did not use the encumbrance method of accounting during the year ended December 31, 2013.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

VILLAGE OF MILLVILLE
BUTLER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

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:

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.

VILLAGE OF MILLVILLE
 BUTLER COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
 (Continued)

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.

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:

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$ 624,037</u>	<u>\$ 679,570</u>
Total deposits	<u><u>\$ 624,037</u></u>	<u><u>\$ 679,570</u></u>

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, 2014 and 2013 follows:

<u>2014 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$54,987	\$57,576	\$2,589
Special Revenue	96,478	100,601	4,123
Total	<u><u>\$151,465</u></u>	<u><u>\$158,177</u></u>	<u><u>\$6,712</u></u>

<u>2014 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$313,100	\$112,989	\$200,111
Special Revenue	136,500	101,946	34,554
Total	<u><u>\$449,600</u></u>	<u><u>\$214,935</u></u>	<u><u>\$234,665</u></u>

VILLAGE OF MILLVILLE
 BUTLER COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
 (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$48,088	\$48,088
Special Revenue	0	61,711	61,711
Total	\$0	\$109,799	\$109,799

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$254,100	\$84,705	\$169,395
Special Revenue	192,500	93,015	99,485
Total	\$446,600	\$177,720	\$268,880

Contrary to Ohio law, the Village did not properly integrate budgetary data approved by Village Council into the financial accounting system for 2013 or 2014. In addition expenditures exceeded actual appropriations during 2014 in the Permissive Motor Vehicle License Fund by \$51,639.

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.

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

5. RETIREMENT SYSTEMS

Certain Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2014 and 2013, all members of Village Council have elected Social Security. The employees' liability is 6.2 percent of wages paid.

VILLAGE OF MILLVILLE
BUTLER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

7. OTHER MATERIAL NONCOMPLIANCE

In addition to noncompliance items discussed in Note 1. E and Note 3, contrary to Ohio law, the Village did not properly certify that funds are or will be available prior to obligations being incurred. In addition, minutes of several Village Council meetings were not taken and public notices of the date, time, and location of Village Council meetings were not properly made.

Bastin & Company, LLC
Certified Public Accountants

**INDEPENDENT AUDITOR'S 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 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 the Village of Millville, Butler County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 14, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Controls 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 opinions 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 2014-01 through 2014-03 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 2014-03 through 2014-06.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 14, 2014.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
August 14, 2015

**VILLAGE OF MILLVILLE
BUTLER COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDING NUMBER 2014-01

Material Weakness - Financial Monitoring

For the year ended December 31, 2013, the Village did not maintain an adequate accounting system and had limited controls over its financial management system. The accounting records consisted of monthly spreadsheets that listed checks written and receipts deposited without classification by fund or function. Cash balances by fund were not reconciled to bank statements and several amounts listed as received or paid were not correct. The encumbrance method of accounting was not utilized. To prepare for the audit, the Village had to manually reconstruct receipt and disbursement and fund cash balance data in its entirety.

For the year ended December 31, 2014, the Village implemented the UAN accounting system. This system provides the Village with the ability to properly record and report financial results. The use of the UAN accounting system allowed the Village to begin preparing bank reconciliations and recording its financial activities by fund and function using the encumbrance method of accounting.

While the UAN accounting system provides the Village with an effective tool to record its activities and balances, an adequate system of internal control also includes procedures to ensure that all transactions are properly executed and recorded and that the related accountability for assets is maintained. Lack of adequate controls over the processes for recording and reporting of the Village's financial activity increases the risk that errors, theft, fraud, or noncompliance may occur and not be detected in a timely manner. Because of the limited available staff of the Village, current procedures do not provide an adequate level of control and review procedures. Procedures do not include the review and approval of bank reconciliations or providing financial information for independent review and approval by those charged with governance.

To strengthen controls, we recommend that members of Village Council take an active role over internal controls over the Village's financial accounting system. Village Council should receive monthly financial information and reports generated from the UAN accounting system. Such information should include bank reconciliations with supporting documentation, fund status reports, check listings, receipt listings, estimated versus actual receipts, and appropriations compared to actual expenditures. Members of Village Council should review these reports and make inquiries as needed. Council's approval of these reports should be documented in the minutes.

Village's Response

The Village will consider implementing additional reporting to Council Members for review and approval.

FINDING NUMBER 2014-02

Material Weakness - Financial Reporting

For 2013, the Village had access to a computer system through the Auditor of State Uniform Accounting Network (UAN) and continued to make service payments to the State for this system, however, the Village elected to record its financial activities on monthly spreadsheets that listed receipts and disbursements. These spreadsheets did not provide functional classifications for receipt and expenditure types or reflect the activity by fund.

To prepare for the audit, the Village's staff re-constructed 2013 data in its entirety. Receipt, expenditure and fund cash balances were manually accumulated by fund and function. This data, in addition to the monthly spreadsheets, was presented as support for the 2013 financial statements.

For the year ended December 31, 2014 the Village implemented the UAN accounting system and provided financial reports from that system as support for the 2014 financial statements.

Based on the data provided, the following adjustments were noted:

- During 2013, the Village recorded gasoline tax from the State at 90% to Street Fund and 10% to State Highway, instead of 92.5% and 7.5%. As a result, \$460 of intergovernmental receipts were recorded in the State Highway Fund that should have been recorded in the Street Fund.
- During 2013, \$398 of permissive taxes were recorded in the General Fund that should have been recorded in the Permissive Tax Fund.
- During 2013, \$2,446 of property taxes were recorded in the Fire/EMS Fund that should have been recorded in the General Fund.
- During 2014, the Village recorded gasoline tax from the State at 90% to Street Fund and 10% to State Highway, instead of 92.5% and 7.5% through April of 2014. As a result, \$248 of intergovernmental receipts were recorded in the State Highway Fund that should have been recorded in the Street Fund.
- During 2014, \$371 of permissive taxes were recorded in the General Fund that should have been recorded in the Permissive Tax Fund.
- During 2014, \$9,400 of miscellaneous receipts were recorded in the General Fund that should have been recorded as charges for services.
- During 2014, \$31,776 of property taxes and special assessment receipts were recorded in the Permissive Tax Fund that should have been recorded as intergovernmental receipts.
- During 2014, \$30,665 of general government expenses were recorded in the General Fund that should have been recorded to security of persons and property and to capital outlay.
- During 2013 and 2014, fund balance classifications as required by Governmental Accounting Standards Board (GASB) Statement No. 54 were not properly presented.

Adjustments for the above items have been made to the accompanying financial statements.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village continue the use of the UAN system for future years and implement control procedures over that system that will enable management to identify, prevent, detect and correct potential misstatements within the accounting system and in the resulting financial statements.

Village's Response

The Village will attempt to more closely monitor the recording of transactions. The UAN accounting system, along with increased involvement from Village Council will assist in allowing financial results to be monitored in the future.

FINDING NUMBER 2014-03

Material Weakness and Noncompliance - Budgetary Data

Ohio Rev. Code § 5705.36 (A) (1) requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

Ohio Rev. Code § 5705.38 (A), states that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

Ohio Rev. Code § 5705.40 stipulates that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Ohio Admin. Code § 117-2-02 also requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. 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 appropriation balances.

We noted the following conditions:

- For 2013, the Village did not obtain an official certificate of estimated resources and did not record budgetary amounts in their accounting system. The Village did not maintain an accounting system that was adequate to provide management with ongoing and timely budgetary information at the legal level of control.
- For 2014, amounts for official estimated resources and appropriations did not agree to the budgetary amounts entered into the UAN accounting system.

Failure to follow applicable budgetary laws is a violation of the Ohio Revised Code and could result in loss of local government funding, overspending of resources and deficit fund balances. Inaccurate budgetary information in the accounting system and financial statements reduces the Village's ability to effectively monitor the budget.

We recommend that the Village ensure official budgetary amounts are obtained and properly posted to the accounting system.

Village's Response

The Village will attempt to ensure that data entered into the UAN accounting system reflects the official certificate of estimated resources and appropriations passed by Village Council in the future.

FINDING NUMBER 2014-04

Noncompliance - Certification of Fund Availability

Ohio Rev. Code § 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 encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that 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.
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 the availability of funds before making purchase commitments in 2013 and 2014. Failure to properly certify the availability of funds and encumber appropriations can result in overspending of funds and negative cash balances. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also 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 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.

We recommend 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. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. In the event that "Then and Now" certificates are used when the expenditure exceeds \$3,000 these certificates would need to be approved via a resolution by Council.

Village's Response

The Village will attempt to ensure certifications are properly performed in the future.

FINDING NUMBER 2014-05

Noncompliance - Minutes and Meetings

Ohio Rev. Code § 121.22 (C) and 149.43 when read together, impose 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 Rev. Code § 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."

We noted the following conditions related to the Village's minutes:

- The Village was unable to provide minutes records for May, July and August of 2013, and October of 2014. The Village only provided agendas with handwritten notes, which were not used as official record.
- The Village did not notify the public of the date, time, and location of the Village Council meetings.
- The minutes that were provided were not signed by any Village officials.

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 Council meetings. Failure to have the minutes signed by at least one Councilmember and the Mayor or the Clerk could lead to the minutes being altered after the fact without Council knowledge.

We recommend the Village document all actions of Council in the minutes and promptly maintain a complete record of all proceedings. We recommend the Village notify the public of the date, time, and location of all Council meetings. We also recommend the Village ensure at least one Councilmember and the Mayor or Clerk sign the minutes.

Village's Response

The Village will attempt to ensure minutes are properly taken and approved and that public notice will be provided for Council meetings in the future.

FINDING NUMBER 2014-06

Noncompliance - Budgetary

Ohio Rev. Code § 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The following fund had expenditures that exceeded appropriations during 2014:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Permissive Tax	\$10,000	\$61,639	\$ (51,639)

The error was the result of not properly obtaining a formal amendment to appropriations approved by Village Council.

We recommend the Village review and amend appropriations whenever necessary to prevent expenditures from exceeding approved appropriations.

Village's Response

The Village will attempt to ensure appropriations are amended as needed in the future.

**VILLAGE OF MILLVILLE
BUTLER COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Condition of accounting system Ohio Rev. Code § 733.28 and Ohio Admin. Code § 117-2-02(A)	No	Reissued as Finding 2014-01
2012-002	Establishment of funds Ohio Rev. Code § 5705.09	No	Applicable conditions reissued within Finding 2014-01
2012-003	Fund balance classification in accordance with GASB Statement 54	No	Applicable conditions reissued within Finding 2014-02
2012-004	Maintaining proper documentation Ohio Rev. Code § 149.351	Yes	Condition not detected
2012-005	Official certificate of estimated resources and annual appropriation measures Ohio Rev. Code § 5705.38(A)	No	Applicable conditions reissued within Finding 2014-03
2012-006	Integration of budgetary data into accounting system Ohio Admin. Code § 117-2-02(C)(1)	No	Applicable conditions reissued within Finding 2014-03
2012-007	Lack of internal controls over financial reporting Ohio Admin. Code § 117-2-01(D)	No	Applicable conditions reissued within Finding 2014-02
2012-008	Certification of expenditures Ohio Rev. Code § 5705.41(D)(1)	No	Reissued as Finding 2014-04
2012-009	Minutes and meetings Ohio Rev. Code § 121.22(C), 149.43 and 121.22(F)	No	Applicable conditions reissued within Finding 2014-05

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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 15, 2015**