



Dave Yost • Auditor of State



VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY

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# Dave Yost • Auditor of State

## REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Village of Newtonsville  
Clermont County  
P.O. Box 245  
745 Wright Street  
Newtonsville, Ohio 45158

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Newtonsville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2016, 2015 and 2014. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

### ***Internal Control Over Financial Reporting***

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2016-010 and 2016-016 through 2016-022 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

### ***Compliance and Other Matters***

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2016-001 through 2016-015.

***Village's Responses 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2018

**Village of Newtonsville, Ohio**

Clermont County

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$6,257	\$2,963	\$9,220
Intergovernmental	19,977	19,620	39,597
Fines, Licenses and Permits	11,729	1,080	12,809
Earnings on Investments	65	0	65
Miscellaneous	546	0	546
<i>Total Cash Receipts</i>	<u>38,574</u>	<u>23,663</u>	<u>62,237</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	11,030	0	11,030
Leisure Time Activities	100	0	100
Transportation	0	12,421	12,421
General Government	27,980	1,200	29,180
Debt Service:			
Principal Retirement	1,081	0	1,081
Interest and Fiscal Charges	19	0	19
<i>Total Cash Disbursements</i>	<u>40,210</u>	<u>13,621</u>	<u>53,831</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,636)</u>	<u>10,042</u>	<u>8,406</u>
<i>Net Change in Fund Cash Balances</i>	(1,636)	10,042	8,406
<i>Fund Cash Balances, January 1</i>	<u>(37,736)</u>	<u>141,102</u>	<u>103,366</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	151,144	151,144
Unassigned (Deficit)	<u>(39,372)</u>	<u>0</u>	<u>(39,372)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$39,372)</u>	<u>\$151,144</u>	<u>\$111,772</u>

See Accompanying Notes to the Financial Statements

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Combining Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Agency Funds*  
*For the Year Ended December 31, 2016*

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	Mayor's Court
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	<u>\$13,584</u>
<i>Total Operating Cash Receipts</i>	<u>13,584</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Disbursements	<u>(9,393)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(9,393)</u>
<i>Net Change in Fund Cash Balances</i>	4,191
<i>Fund Cash Balances, January 1</i>	<u>17,256</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$21,447</u></u>

See Accompanying Notes to the Financial Statements



**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Newtonsville (the Village), Clermont County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village.

The Auditor of State of Ohio declared the Village of Newtonsville to be in a state of fiscal caution on April 26, 2016, in accordance with Section 118.025(A).

***Public Entity Risk Pool***

The Village participates in a public entity risk pool. Note 7 to the financial statements provide additional information for the public entity risk pool. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***State Highway Fund*** The state highway fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of State Highways that run through the village.

***Permissive Motor Vehicle License Fund*** The permissive motor vehicle license fund accounts for and reports permissive taxes restricted for construction, maintenance, and repair of streets within the Village.

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***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 fines and forfeitures collected by the Mayor's Court, which are distributed to the Village and the State.

***Basis of Accounting***

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.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***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. Appropriations lapse at year end.

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

***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.

A summary of 2016 budgetary activity appears in Note 4.

***Capital Assets***

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

***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 Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***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:

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

***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.

***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.

***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.

***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.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street fund by \$8,921 and the Computer fund by \$1,200 for the year ended December 31, 2016.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2016 follows:

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,975	\$38,574	(\$32,401)
Special Revenue	19,650	23,663	4,013
Total	\$90,625	\$62,237	(\$28,388)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,656	\$39,835	\$821
Special Revenue	3,500	13,621	(10,121)
Total	\$44,156	\$53,456	(\$9,300)

**Note 5 – Deposits**

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

	2016
Demand deposits	\$135,446

***Deposits***

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

**Note 6 – Taxes**

***Property Taxes***

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.

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

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management**

***Risk Pool Membership***

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.

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 Insurance Services Group, Inc. (York) 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 York. 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	2014	2015
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$4,594.

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 Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$7,280	\$7,292

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.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

***Social Security***

Some Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 10 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Police Radio Loan	<u>0</u>	6%
Total	<u><u>\$0</u></u>	

The Police Radio Loan relates to the purchase of a Motorola communications system and related equipment that is being utilized by the Village Police Department. The Village financed the loan through Peoples Bank in 2012, and retired the loan in 2016.

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**Village of Newtonsville, Ohio***Clermont County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$6,633	\$3,109	\$9,742
Intergovernmental	21,817	18,888	40,705
Fines, Licenses and Permits	18,129	1,591	19,720
Earnings on Investments	45	0	45
Miscellaneous	6,314	248	6,562
<i>Total Cash Receipts</i>	<u>52,938</u>	<u>23,836</u>	<u>76,774</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	18,785	0	18,785
Leisure Time Activities	1,816	0	1,816
Transportation	0	17,159	17,159
General Government	46,295	1,334	47,629
Debt Service:			
Principal Retirement	2,067	0	2,067
Interest and Fiscal Charges	135	0	135
<i>Total Cash Disbursements</i>	<u>69,098</u>	<u>18,493</u>	<u>87,591</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,160)</u>	<u>5,343</u>	<u>(10,817)</u>
<i>Net Change in Fund Cash Balances</i>	(16,160)	5,343	(10,817)
<i>Fund Cash Balances, January 1</i>	<u>(21,576)</u>	<u>135,759</u>	<u>114,183</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	141,102	141,102
Unassigned (Deficit)	<u>(37,736)</u>	<u>0</u>	<u>(37,736)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$37,736)</u>	<u>\$141,102</u>	<u>\$103,366</u>

See Accompanying Notes to the Financial Statements

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Combining Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Agency Funds*  
*For the Year Ended December 31, 2015*

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	Mayor's Court
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	<u>\$20,805</u>
<i>Total Operating Cash Receipts</i>	<u>20,805</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Disbursements	<u>(14,518)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(14,518)</u>
<i>Net Change in Fund Cash Balances</i>	6,287
<i>Fund Cash Balances, January 1</i>	<u>10,969</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$17,256</u></u>

See Accompanying Notes to the Financial Statements

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The Village of Newtonsville (the Village), Clermont County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool. Note 7 to the financial statements provide additional information for the public entity risk pool. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***State Highway Fund*** The state highway fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of State Highways that run through the village.

***Permissive Motor Vehicle License Fund*** The permissive motor vehicle license fund accounts for and reports permissive taxes restricted for construction, maintenance, and repair of streets within the Village.

***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.

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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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 fines and forfeitures collected by the Mayor's Court, which are distributed to the Village and the State.

***Basis of Accounting***

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.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***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. Appropriations lapse at year end.

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

***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.

A summary of 2015 budgetary activity appears in Note 4.

***Capital Assets***

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

***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.

***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 Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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

***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.

***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.

***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.

***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.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$50,548 for the year ended December 31, 2015.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,975	\$52,938	(\$18,037)
Special Revenue	28,500	23,836	(4,664)
Total	\$99,475	\$76,774	(\$22,701)

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$18,550	\$69,098	(\$50,548)
Special Revenue	34,450	18,493	15,957
Total	\$53,000	\$87,591	(\$34,591)

**-Note 5 – Deposits**

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

Demand deposits	2015
	\$124,522

***Deposits***

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

**Note 6 – Taxes**

***Property Taxes***

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.

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

**Note 7 - Risk Management**

***Risk Pool Membership***

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.

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 Insurance Services Group, Inc. (York) 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

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

Excess Pool (APEEP), which is also administered by York. 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	2014	2015
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$4,594.

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.

Contributions to PEP	
2014	2015
\$7,280	\$7,292

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.

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 8 - Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

*Social Security*

Some Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 - Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Police Radio Loan	917	6%
Total	\$917	

The Police Radio Loan relates to the purchase of a Motorola communications system and related equipment that is being utilized by the Village Police Department. The Village will repay the loan in monthly installments of \$183, including interest, over the next year. The Village financed the loan through Peoples Bank in 2012.

*Amortization*

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



**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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Year ending	Police
December 31:	<u>Radio Loan</u>
2016	<u>1,100</u>
Total	<u><u>\$1,100</u></u>

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**Village of Newtonsville, Ohio**  
*Clermont County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2014*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$5,393	\$3,143	\$8,536
Intergovernmental	23,746	21,083	44,829
Fines, Licenses and Permits	24,456	2,800	27,256
Earnings on Investments	41	0	41
Miscellaneous	2,878	0	2,878
<i>Total Cash Receipts</i>	<u>56,514</u>	<u>27,026</u>	<u>83,540</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	32,492	0	32,492
Leisure Time Activities	1,656	0	1,656
Transportation	0	24,807	24,807
General Government	69,879	1,670	71,549
Debt Service:			
Principal Retirement	2,067	0	2,067
Interest and Fiscal Charges	135	0	135
<i>Total Cash Disbursements</i>	<u>106,229</u>	<u>26,477</u>	<u>132,706</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,715)</u>	<u>549</u>	<u>(49,166)</u>
<i>Net Change in Fund Cash Balances</i>	(49,715)	549	(49,166)
<i>Fund Cash Balances, January 1</i>	<u>28,139</u>	<u>135,210</u>	<u>163,349</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	135,759	135,759
Unassigned (Deficit)	(21,576)	0	(21,576)
<i>Fund Cash Balances, December 31</i>	<u>(\$21,576)</u>	<u>\$135,759</u>	<u>\$114,183</u>

See Accompanying Notes to the Financial Statements

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Combining Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Agency Funds*  
*For the Year Ended December 31, 2014*

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	Mayor's Court
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	<u>\$35,154</u>
<i>Total Operating Cash Receipts</i>	<u>35,154</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Disbursements	<u>(24,185)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(24,185)</u>
<i>Net Change in Fund Cash Balances</i>	10,969
<i>Fund Cash Balances, January 1</i>	<u>0</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$10,969</u></u>

See Accompanying Notes to the Financial Statements

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 1 - Reporting Entity**

The Village of Newtonsville (the Village), Clermont County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool. Note 7 to the financial statements provide additional information for the public entity risk pool. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***State Highway Fund*** The state highway fund accounts for and reports the portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of State Highways that run through the village.

***Permissive Motor Vehicle License Fund*** The permissive motor vehicle license fund accounts for and reports permissive taxes restricted for construction, maintenance, and repair of streets within the Village.

***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.

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2014*

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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 fines and forfeitures collected by the Mayor's Court, which are distributed to the Village and the State.

***Basis of Accounting***

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.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***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. Appropriations lapse at year end.

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

***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.

A summary of 2014 budgetary activity appears in Note 4.

***Capital Assets***

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

***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.

***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 Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2014*

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

***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.

***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.

***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.

***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.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$26,714 for the year ended December 31, 2014.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,105	\$56,514	(\$13,591)
Special Revenue	19,959	27,026	7,067
Total	\$90,064	\$83,540	(\$6,524)

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2014*

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,515	\$106,229	(\$26,714)
Special Revenue	39,850	26,477	13,373
Total	\$119,365	\$132,706	(\$13,341)

**Note 5 – Deposits**

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

Demand deposits	2014
	\$126,509

***Deposits***

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

**Note 6 – Taxes**

***Property Taxes***

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.

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

**Note 7 - Risk Management**

***Risk Pool Membership***

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.

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 Insurance Services Group, Inc. (York) 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



**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2014*

Excess Pool (APEEP), which is also administered by York. 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	2013	2014
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$4,805.

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.

Contributions to PEP	
2013	2014
\$7,116	\$7,280

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.

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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.

***Social Security***

Some Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 - Debt**

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Police Radio Loan	3,148	6%
Total	<u>\$3,148</u>	

The Police Radio Loan relates to the purchase of a Motorola communications system and related equipment that is being utilized by the Village Police Department. The Village will repay the loan in monthly installments of \$183, including interest, over the next two years. The Village financed the loan through Peoples Bank in 2012.

***Amortization***

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

**Village of Newtonsville, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2014*

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Year ending	Police
December 31:	<u>Radio Loan</u>
2015	<u>\$2,242</u>
2016	<u>1,100</u>
Total	<u><u>\$3,342</u></u>

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**VILLAGE OF NEWTONSVILLE  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 – 2014**

**FINDING 2016-001**

**Noncompliance/Finding for Recovery – Dan Burke**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

During fiscal years 2014 through 2016, Dan Burke was responsible for three debit card expenditures and issued 1 check expenditure, summarized below, for which detailed supporting documentation was not maintained to substantiate that the payments were for a proper public purpose.

<b>Check No.</b>	<b>Payee</b>	<b>Description per Ledger</b>	<b>Date</b>	<b>Fund</b>	<b>Amount</b>
#temp	Frank Lambros	Reimbursement	3/21/14	General	\$117.09
Debit Card	Amazon	Police Department	7/9/14	General	294.72
Debit Card	Best Buy	None listed	10/31/14	General	53.36
Debit Card	Office Depot	Two copiers / printers	4/30/15	General	97.00
Total					\$562.17

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dan Burke, Fiscal Officer, in the amount of \$562 in favor of the Village of Newtonsville's General Fund. As noted in Finding 2016-014, the Fiscal Officer was not bonded.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING 2016-002**

**Noncompliance/Finding for Recovery – Rhonda McVey**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

During fiscal year 2015, Rhonda McVey was responsible for one debit card expenditure, summarized below, for which detailed supporting documentation was not maintained to substantiate that the payments were for a proper public purpose.

<b>Check No.</b>	<b>Payee</b>	<b>Description per Ledger</b>	<b>Date</b>	<b>Fund</b>	<b>Amount</b>
Debit Card	Eastgate Custom Graphic	None listed	10/15/15	General	\$ 134.51
Total					\$134.51

**FINDING 2016-002  
(Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rhonda McVey, Fiscal Officer, in the amount of \$134 in favor of the Village of Newtonsville's General Fund. As noted in Finding 2016-014, the Fiscal Officer was not bonded.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING 2016-003**

**Noncompliance – Minutes**

**Ohio Rev. Code § 121.22 (C)** imposes a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. Also, the Village's minutes should be signed by at least two Village officials certifying the minutes are approved as prepared.

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

- The minutes provided for 15 of 43 meetings were signed by only the Mayor or the Fiscal Officer.
- The minutes provided for eight of 43 meetings were not signed by any Village official.
- A monthly financial report was not presented and approved for five of 12 months in 2014; two of 12 months in 2015; and one of 12 months in 2016. Although monthly financial reports were noted as being presented and approved for other months, the reports were not maintained for inspection with the minutes.
- Meeting minutes were not approved at a subsequent meeting twice in 2014; once in 2015; and once in 2016.
- A complete set of minutes was not maintained; we obtained printed and hand-written minutes from both the Fiscal Officer and the Mayor.

Failure to properly maintain and approve accurate minutes could lead to possible omissions or alterations to the minute record without Council's knowledge, and discrepancies in ordinances and resolutions being passed by Council resulting in disputes between the Village and the public over funds and laws. Not receiving and approving detailed monthly financial reports inhibits Council's ability to properly monitor the Village's funds and could result in deficit spending.

The Village should prepare all minutes promptly after each meeting, approve them the subsequent meeting, have Village officials sign the minutes, and maintain a complete minutes book. In addition, the Village should be receiving a monthly financial report presenting month and year-to-date budgeted and actual revenues and expenditures, and fund balances for all Village funds. This financial report should be approved in the minutes and a copy maintained with the minutes records.

**FINDING 2016-003  
(Continued)**

**Officials' Response:**

Proposal: Mayor to appoint, with council approval, a clerk of council to attend each meeting (special meetings as well) to record minutes. Purpose: This would expedite preparation/approval of minutes from month to month.

**FINDING 2016-004**

**Noncompliance – Encumbering Funds**

**Ohio Rev. Code § 5705.41(D)(1)** 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.

**FINDING 2016-004  
(Continued)**

The Village failed to encumber funds for all expenditures tested for 2014 through 2016. 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 the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We also recommend that Then and Now certificates be used only when necessary.

**Officials' Response:**

Village council authorized the mayor to sign an agreement to rejoin the Uniform Accounting Network (UAN) system, as soon as feasible. (Regular Council meeting, March 20, 2018.)

Proposal: Council Resolution to require fiscal officer to meet with Finance committee a minimum of twice per year (quarterly in 2018) to review appropriations/bank reconciliation of previous quarter. Purpose: to familiarize all council members with appropriations/budgetary process & filing requirements for state, county & mayors court. (By June 30, 2018.)

**FINDING 2016-005**

**Noncompliance – Annual Financial Reporting**

**Ohio Rev. Code § 117.38** states cash-basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports.

The Village did not file its annual reports for fiscal years 2014 and 2015 with the Auditor of State.

Failure to file an annual report could result in a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report. Additionally, the lack of an annual report could result in auditing difficulties.

We recommend the Village file a complete annual report within the required time frame at the end of each fiscal year with the Auditor of State's Office.

**Officials' Response:**

Village council authorized the mayor to sign an agreement to rejoin the Uniform Accounting Network (UAN) system, as soon as feasible. (Regular Council meeting, March 20, 2018.)



**FINDING 2016-006**

**Noncompliance – Expenditures Exceeding Appropriations**

**Ohio Rev. Code § 5705.41(B)** states that no subdivision or taxing unit to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in the following funds:

<b>Fund</b>	<b>Expenditures plus Encumbrances</b>	<b>Appropriations</b>	<b>Variance</b>
Street Fund-2016	\$ 12,421	\$ 3,500	\$ (8,921)
Computer Fund-2016	1,200	0	(1,200)
General Fund-2015	69,098	18,550	(50,548)
General Fund-2014	106,229	79,515	(26,174)

Expenditures in excess of appropriations can result in overspending and deficit fund balances.

The General Fund had a negative fund balance of (\$38,997), (\$37,736) and (\$21,576) at December 31, 2016, 2015, and 2014, respectively.

**Ohio Rev. Code § 5705.10 (I)** states that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

We recommend that the Village monitor its budget closely to prevent expenditures from exceeding appropriations. The Fiscal Officer should deny payment requests exceeding appropriations but may request that Council approve amended appropriations and by filing amended certificates of estimated resources, if necessary. The Village should also monitor fund balances to provide that expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, the Village Council should consider an approved transfer or advance of funds to cover the necessary expenditure.

**Officials' Response:**

Village council authorized the mayor to sign an agreement to rejoin the Uniform Accounting Network (UAN) system, as soon as feasible. (Regular Council meeting, March 20, 2018.)

Proposal: Council Resolution to require fiscal officer to meet with Finance committee a minimum of twice per year (quarterly in 2018) to review appropriations/bank reconciliation of previous quarter. Purpose: to familiarize all council members with appropriations/budgetary process & filing requirements for state, county & mayors court. (By June 30, 2018.)

**FINDING 2016-007**

**Noncompliance – Fraud Reporting System**

**Ohio Rev. Code § 117.103(B)(1)** took effect on May 4, 2012 and requires public offices to provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment.

**FINDING 2016-007  
(Continued)**

For two of the three employees hired during the audit period, the Village did not have a confirmation of receipt of information regarding the Ohio fraud-reporting system.

Failure to inform new employees about the fraud-reporting system could result in fraud not being reported in a timely manner.

We recommend that the Village inform newly hired employees of the Ohio fraud-reporting system and ensure they complete a confirmation of receipt of the information which can be maintained in their personnel files. An example acknowledgement form can be found at <https://ohioauditor.gov/fraud/FraudReportingSystemModelForm.pdf>.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING 2016-008**

**Noncompliance – Public Records Training**

**Ohio Rev. Code §149.43(E)(1)** requires that all elected officials or their designees must attend at least 3 hours of training on Ohio's Public Records Laws during each term of office.

The Village's Mayor and elected Council members did not attend training on Ohio's Public Records Laws and also did not designate someone to attend on their behalf during their term of office.

Failure to attend Public Records Training could cause the Village to violate Public Records Laws which could lead to possible litigation against the Village.

We recommend that the Village Mayor and Council members, or their designee(s), attend all required Ohio Public Records Laws training for each term of office.

**Officials' Response:**

Mayor is registered to receive training for council & village employees as required in 2018.

**FINDING 2016-009**

**Noncompliance – Mayor's Court Accounting**

**Ohio Rev. Code § 733.40** states that all monies 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.

**Ohio Rev. Code § 1907.24(C), 2303.201(C), 2743.70 (A), 2949.091(A)-(B), and 3109.14** state that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

**FINDING 2016-009  
(Continued)**

**Ohio Rev. Code § 2949.094(A) & (C)** when read together, state the court in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. If the person is convicted, pleads guilty, or forfeits bail, the clerk shall transmit thirty five percent of all additional court costs to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund and the remaining three per cent shall be credited to the justice program services fund, the clerk shall transmit fifteen percent of all additional costs to the county or municipal indigent drivers alcohol treatment fund under the control of that court. The Court shall transmit fifty percent of all additional costs to the state treasury to be credited to the indigent defense support fund. All costs should be transmitted to the appropriate entities by the twenty third day of the following month the costs were collected.

**Ohio Rev. Code § 4513.263(B), (E) & (G)** when read together, state that no person shall operate an automobile on any street or highway unless that person is wearing all of the available elements of a properly adjusted occupant restraining device, or operate a school bus that has an occupant restraining device installed for use in its operator's seat unless that person is wearing all of the available elements of the device, as properly adjusted, and that violators be fined thirty dollars. Fines collected for the violations of this section, or for violations of any ordinance or resolution of a political subdivision that is substantively comparable to that division, shall be forwarded to the treasurer of state for deposit into the state treasury.

We identified the following conditions related to the above criteria:

- The Court failed to transmit to the State of Ohio any money collected by the court for the years under audit. The Court owes the State of Ohio \$10,561 related to 2014 collections, \$6,049 related to 2015 collections, and \$4,033 related to 2016 collections.
- The Court failed to transmit to Clermont County, Ohio any money collected by the court for the years under audit. The Court owes the County \$425 related to 2014 collections, \$242 related to 2015 collections, and \$161 related to 2016 collections.
- The Court failed to transmit collections to the Village on the first day of the month. The Village transmitted Mayor's Court collections to the Village one time in 2014, twice in 2015, and once in 2016. The amounts transmitted to the Village did not directly relate to the total amount of money collected by the Mayor's Court.
- The Court failed to collect and remit fines related to seat belt violations to the State of Ohio for four receipts tested. The Mayor's Court cashbook did not have a ledger column related to State portion of seat belt fines.

In addition, the Mayor's Court Agency fund had an ending fund balance of \$10,969 in 2014, \$17,256 in 2015, and \$21,447 in 2016 which are the cumulative effect of costs being collected and not properly remitted.

The Court should implement procedures to help ensure collection of the proper costs, and to remit amounts owed to the appropriate entities.

This matter will be referred to Clermont County and the State of Ohio.

**FINDING 2016-009  
(Continued)**

**Officials' Response:**

Proposal: Council Resolution to require fiscal officer to meet with Finance committee a minimum of twice per year (quarterly in 2018) to review appropriations/bank reconciliation of previous quarter. Purpose: to familiarize all council members with appropriations/budgetary process & filing requirements for state, county & mayors court. (By June 30, 2018.)

**FINDING 2016-010**

**Noncompliance/ Internal Control – Computerization Fund**

**Ohio Rev. Code § 1901.261** requires the Mayor's Court to collect and remit court computerization cost on all cases to the Village Computerization Fund.

The Village incorrectly recorded court computerization cost receipts to the Village's General Fund in the amount of \$1,591 and \$2,800 for 2015 and 2014, respectively. The financial statements have been adjusted for these errors,

Failure to post money collected for purposes related to the court computerization fund to the proper fund could result in money being spent for improper purposes, negative cash fund balances, and findings for adjustment.

We recommend that the Village exercise due care when posting Mayor's Court receipts to the Village's funds.

**Officials' Response:**

Proposal: Council Resolution to require fiscal officer to meet with Finance committee a minimum of twice per year (quarterly in 2018) to review appropriations/bank reconciliation of previous quarter. Purpose: to familiarize all council members with appropriations/budgetary process & filing requirements for state, county & mayors court. (By June 30, 2018.)

**FINDING 2016-011**

**Noncompliance – Destruction of Records**

**Ohio Rev. Code § 149.351**, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42.

The Village failed to locate the following records:

- Supporting invoice documentation for four expenditures selected for testing: Check #8058, posted 7/16/14, in the amount of \$15 to Steve Flint for patrol shifts; Check #8062, posted 7/16/14, in the amount of \$90 to Geoff Schram for patrol shifts; an ACH posted 1/27/15 in the amount of \$204 to Time Warner for phone/cable service; reimbursement; an ACH posted 1/28/15 in the amount of \$206 to Verizon for police cell phone. By performing alternative procedures we determined that these expenditures were for a proper public purpose.

**FINDING 2016-011  
(Continued)**

- Minutes for two meetings in 2015 and three meetings in 2016.
- Pooled Collateral Statements for 2014.
- Supporting documentation for two of four (50%) cable franchise fee receipts tested in 2016.
- Supporting documentation for one of five (20%) miscellaneous receipts tested for 2015.
- Official Certificate of Estimated Resources for 2017.
- Annual Appropriations for 2017.
- Supporting invoice documentation for expenditures where a proper public purpose was not determined; see Findings 2016-001, 2016-002 and 2016-003.
- Certificate of the total amount from all sources available for expenditure for 2014 and 2016; see Finding 2016-016.
- Authorized pay rates, personnel files, and fund allocation for selected employees; see Finding 2016-019.

A lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. We performed alternative procedures to obtain assurance that the receipts were posted to the proper fund and account.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule. We recommend the Fiscal Officer keep supporting documentation for all transactions.

**Officials' Response:**

Proposal: mayor to appoint administrative assistant, with council approval, for 60-90 day tasks of general office management. Purpose: to ensure the full security & availability of pertinent records; to work with the incoming clerk of council, mayor, and administrator to ensure mail is processed and jointly develop a system for efficient government.

**FINDING 2016-012**

**Noncompliance – Dual Signatures**

**Motion 08182015-9** adopted by Council on August 18, 2015 states that the Mayor and Fiscal Officer must sign all checks issued by the Village.

For 14 of 14 (100%) checks tested in 2016 and four of four (100%) checks tested in 2015 after Council adopted Motion 08182015-9, the check was signed by only the Mayor or the Fiscal Officer.

**FINDING 2016-012  
(Continued)**

Failure to have dual signatures on checks reduces the effectiveness of internal controls over the purchasing cycle and increases the risk of misappropriation.

We recommend the Village Mayor and Fiscal Officer endorse all checks as required by Council.

**Officials' Response:**

Recommitment to this requirement of council will begin April 17, 2018 for mayor & fiscal officer.

**FINDING 2016-013**

**Noncompliance – Conflict of Interest**

**Ohio Rev. Code § 2921.42(A)(1)** provides that no public official shall knowingly authorize, or employ the authority or influence of the public Officials' office to secure authorization of any public contract in which the public official, a member of the public Officials' family, or any of the public Officials' business associates has an interest.

A "public official" is defined in Ohio Rev. Code § 2921.01(A) as any elected or appointed officer, or employee, or agent of the state or any political subdivision, whether in a temporary or permanent capacity, and includes, but is not limited to, legislators, judges, and law enforcement officers.

The Village approved a contract with Brian Baker for construction of a frisbee golf course. Check No. 8238 was issued to Mr. Baker for \$1,000 on July 21, 2015. Mr. Baker's wife, Theresa Baker, is a Village Council member. Ms. Baker did not abstain from the vote approving the financial report and list of bills for July which included the disbursement to her husband.

In addition, the Village has not adopted a conflict of interest policy nor does it require officials and employees to sign any type of statement disclosing affiliations which may represent a potential conflict of interest. In addition, the Village has not adopted an ethics policy, a policy about prohibited political activities, or a public records retention policy.

Failure to have policies prohibiting conflicts of interest, unethical behavior and prohibited political activities could cause a lack of understanding on the part of Village officials and employees which in turn could result in unallowable activity.

We recommend the Village consult with their legal counsel to review the requirements of Ohio Rev. Code § 2921.42 to ensure that all public officials are conducting Village business in accordance with Ohio Ethics laws. Council members should disclose their interest in any contract and abstain from approvals for payments, and ensure these disclosures are memorialized in the approved Council meeting minutes. We further recommend that the Village adopt formal policies regarding conflicts of interest, ethics and prohibited political activities.

This matter will be referred to the Ohio Ethics Commission.

**Officials' Response:**

As per post audit discussion, the mayor & incoming legal counsel will be vigilant in reminding council members of potential conflicts when necessary.

#### FINDING 2016-014

##### **Noncompliance – Public Officials Bonds**

**Ohio Rev. Code § 705.27** states that the fiscal officer, and other officers or employees of the municipal corporation as the legislative authority directs, shall give a bond to the municipal corporation for the faithful performance of their duties, in such sum as the legislative authority fixes by ordinance or resolution. Premiums on official bonds may be paid by the municipal corporation.

**Ohio Rev. Code § 733.69** states that each officer of a municipal corporation required by law or ordinance to give bond shall do so before entering upon the duties of the office

A bond was not executed for the fiscal officers who served during 2014 through 2016. In addition, the Mayor handles cash related items and financial data for the Village and was not bonded. The Village did have an insurance policy with employee dishonesty coverage up to \$5,000.

Failure to execute a bond for the fiscal agent and other officials or employees could result in the Village being unable to recover funds in the event of fraud, waste or abuse.

We recommend that Council require a bond for the fiscal officer, and determine if other officials or employees should also be bonded.

##### **Officials' Response:**

Council will require that the fiscal officer obtain the necessary public officials' bonds prior to council May 15, 2018.

#### FINDING 2016-015

##### **Noncompliance – Certification to County Auditor**

**Ohio Rev. Code § 5705.36(A)** 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.

For fiscal years 2014 and 2016, the Village did not certify to the county auditor the total amount from all sources available for expenditure. Although the Village did make the required certification for fiscal year 2015, we had to obtain the certificate from the Clermont County Auditor's office because the Village did not have it on file.

We recommend that the Village certify to the county auditor the total amount from all sources available for expenditures from each fund on or about the first day of each fiscal year.

##### **Officials' Response:**

Village council authorized the mayor to sign an agreement to rejoin the Uniform Accounting Network (UAN) system, as soon as feasible. (Regular Council meeting, March 20, 2018.)

## FINDING 2016-016

### Internal Control – Posting Transactions

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by **rule 117-2-03 of the Ohio Administrative Code**. The Village did not properly post transactions in the accounting system and/or financial statements.

The following conditions were noted in the accounting system and/or the financial statements:

- Beginning fund balances in the Village's 2014 financial statement filed with the Auditor of State for the General Fund, Special Revenue Funds, Enterprise Funds, and Agency fund did not agree to the 2013 ending fund balances. The General Fund was understated by \$28,139, the Special Revenue Funds were understated by \$135,210, the Agency Fund was understated by \$7,106.
- Agency Fund receipts totaling \$13,584, \$20,805, and \$35,154 and disbursements totaling \$9,393, \$14,518, and \$24,185 in 2016, 2015 and 2014, respectively, for the Mayor's Court were not reported in the financial statements filed with the Auditor of State.
- Mayor's Court receipts in excess of Village distributions were incorrectly recorded in the General Fund resulting in Fines, Licenses and Permits receipts being overstated by \$4,193, \$7,881, and \$13,785 in 2016, 2015, and 2014, respectively.
- Fines, Licenses and Permits receipts totaling \$3,382, \$3,807, and \$3,212 in the General Fund in 2016, 2015, and 2014, respectively, for cable franchise fees were incorrectly posted to Taxes receipts for 2016 and 2015 and to Intergovernmental receipts for 2014.
- Permissive Motor Vehicle License Tax Fund receipts totaling \$2,963 in 2016 were incorrectly posted to the General Fund.
- A transfer between Village bank accounts totaling \$2,366 in 2016 was incorrectly recorded to Miscellaneous receipts in the General Fund causing fund balance to be overstated.
- Miscellaneous receipts totaling \$248 in the Street Fund in 2015 were incorrectly posted to the General Fund.
- Miscellaneous receipts totaling \$2,235 in the General Fund in 2014 were incorrectly recorded to Intergovernmental receipts.
- Intergovernmental receipts totaling \$4,632 and \$376 in the Street Fund and State Highway Fund, respectively, in 2016 were incorrectly posted to the General Fund.
- Intergovernmental receipts totaling \$4,061 and \$329 in the Street Fund and State Highway Fund, respectively, in 2015 were incorrectly posted to the General Fund.
- Intergovernmental receipts totaling \$4,858 and \$394 in the Street Fund and State Highway Fund, respectively, in 2014 were incorrectly posted to the General Fund.



**FINDING 2016-016  
(Continued)**

- Taxes receipts totaling \$3,109 and \$3,143 in the Permissive Motor Vehicle Tax Fund in 2015 and 2014, respectively, were incorrectly posted to Intergovernmental receipts.
- Transportation disbursements totaling \$12,421, \$17,159, and \$24,807 in the Special Revenue Funds in 2016, 2015, and 2014, respectively, were incorrectly posted to General Government disbursements.
- Principal and Interest and Fiscal Charges disbursements totaling \$1,081 and \$19, respectively, in the General Fund in 2016 were incorrectly posted to General Government disbursements.
- Principal and Interest and Fiscal Charges disbursements totaling \$2,067 and \$135, respectively, in the General Fund in 2015 were incorrectly posted to General Government disbursements.
- Principal and Interest and Fiscal Charges disbursements totaling \$2,067 and \$135, respectively, in the General Fund in 2014 were incorrectly posted to General Government disbursements.
- Transaction dates were not recorded for two of three (67%) Miscellaneous receipts tested in 2014.

In addition, the following errors were noted for non-payroll disbursements:

- The expenditure amount did not agree to supporting documentation for seven of 18 (39%), 21 of 39 (54%), and 11 of 37 (30%) disbursements tested in 2016, 2015, and 2014, respectively. Projected error from the sample was \$10,475, \$27,244, and \$34,919 for 2016, 2015, and 2014, respectively.
- Payee name from the accounting ledger did not agree to the check and invoice for one of 17 (6%) and two of 34 (6%) disbursements tested in 2016 and 2015, respectively.
- The check was not recorded in the accounting ledger before clearing on the bank statement for two of 17 (12%) disbursements tested in 2016.
- Check number 8165 was used twice in 2015 and cleared the bank account to different vendors and for different amounts. Based on the bank statement support, it appears that one of these transactions represented an online bill pay which was provided with a memo check number that was the same as a physical check using this number that cleared in a different month.
- Check number 7862 in 2014 and check numbers 8161, 8167 and 8296 in 2015 were not issued sequentially.
- General Government disbursements totaling \$551 in the General Fund in 2015 were incorrectly posted to the Street Fund.

The financial statements have been adjusted for these errors.

**FINDING 2016-016  
(Continued)**

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

**Officials' Response:**

Village council authorized the mayor to sign an agreement to rejoin the Uniform Accounting Network (UAN) system, as soon as feasible. (Regular Council meeting, March 20, 2018.)

**FINDING 2016-017**

**Internal Control – Bank Reconciliations**

When designing the public office's system in internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village did not complete monthly bank reconciliations for 2014 or 2015. The Village began preparing reconciliations for 2016 after obtaining assistance from the Auditor of State's Local Government Services to reconstruct Village reconciliations. In addition, reconciliations that were prepared did not receive a documented supervisory review.

Accurate preparation and timely review of bank reconciliations are basic and essential internal control components for sound fiscal management. Failure to reconcile the Village accounts with the accounting system could increase the likelihood of errors being made and not detected and corrected in a timely manner. This condition, combined with the lack of a supervisory review, reduces the Village's ability to monitor banking activities.

We recommend the Village reconcile all active bank accounts on a monthly basis. The Village should document and adequately explain all adjusting factors. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. For guidance the Village should utilize the Village Officer's Handbook. The Village should also implement controls over the bank reconciliations to include a supervisory review, evidenced by signature or initials and date of the reviewer.

**Officials' Response:**

Village council authorized the mayor to sign an agreement to rejoin the Uniform Accounting Network (UAN) system, as soon as feasible. (Regular Council meeting, March 20, 2018.)

**FINDING 2016-017  
(Continued)**

Proposal: Council Resolution to require fiscal officer to meet with Finance committee a minimum of twice per year (quarterly in 2018) to review appropriations/bank reconciliation of previous quarter. Purpose: to familiarize all council members with appropriations/budgetary process & filing requirements for state, county & mayors court. (By June 30, 2018.)

**FINDING 2016-018**

**Internal Control – Payroll Records**

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices, and to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions.

We identified the following conditions related to management controls over the payroll disbursements totaling \$19,185, \$28,467 and \$24,130 for 2016, 2015 and 2014, respectively:

- Authorized pay rates for employees were undocumented for: nine of 10 (90%) disbursements tested for 2016; seven of eight (88%) disbursements tested for 2015; and 5 of 6 (83%) of disbursements tested for 2014.
- Employee personnel files were not maintained for two of three new hired employees tested.
- Documentation was not maintained supporting a 75%/25% split of the Fiscal Officer's salary between the General Fund and the Street Fund, respectively.
- No taxes or pension contribution were withheld from a manual payroll check issued in 2015.

We were able to review federal and state tax withholding forms that were maintained by Working Toward Success, the Village's service organization for processing payroll. Employee files should include the following:

- hiring authorizations
- authorized salary rate
- the department and/or fund the salary should be charged to
- retirement system participation
- federal, state, and local tax deduction authorizations
- other salary deduction authorizations

Failure to maintain accurate payroll records results in a lack of financial accountability, could cause employees to be paid incorrect amounts, and increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner.

**FINDING 2016-018  
(Continued)**

Controls should be put in place to help assure that all payroll disbursements are properly accounted for. We recommend the Village formally approve employee pay rates in the minutes annually, maintain a personnel file for each employee, and exercise due care in maintaining the personnel files with all information related to hiring, salary, and withholdings.

**Officials' Response:**

Proposal: mayor to appoint administrative assistant, with council approval, for 60-90 day tasks of general office management. Purpose: to ensure the full security & availability of pertinent records; to work with the incoming clerk of council, mayor, and administrator to ensure mail is processed and jointly develop a system for efficient government.

**FINDING 2016-019**

**Internal Control – Service Organizations**

Statements on Standards for Attestation Engagements (SSAE) No. 16 prescribes standards for reporting on the processing of transactions by service organizations. An unqualified Type 2 "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SSAE 16 should provide the Village with an appropriate level of assurance that the processing of payroll is being processed in conformance with the contract. However, it may be possible for the Village to obtain an appropriate level of assurance by other means.

The Village utilized Working Toward Success (WTS) for payroll processing. The Village did not establish procedures to reasonably determine that WTS had sufficient controls in place and operating effectively to reduce the risk that payroll disbursements have been completely and accurately processed.

We recommend the Village specify in their contract with their third-party administrators that an annual SSAE 16 audit report be performed. The Village should be provided a copy of the SSAE 16 report timely and should review the reports' content. A SSAE 16 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide the Village with a Type 2 SSAE 16 report, we recommend the Village only contract with a third-party administrator that will provide such a report.

**Officials' Response:**

Proposal: Council will review WTS contract (ordinance of 3/15/99), and in joint consultation, amend the contract to include enhanced level of security. (On council agenda by May 15, 2018 meeting).

## **FINDING 2016-020**

### **Internal Control – Budgetary Accounting System and Monitoring**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system as required by §117-2-02(C)(1) of the Ohio Administrative Code. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. This also means the accounting system should report appropriations, encumbrances, unencumbered cash balances, and estimated receipts, and should compare budgetary data to actual results.

Furthermore, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" includes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, and should consist of monitoring, which is a process that assesses the quality of internal control performance over time.

The Village's manual accounting system did not adequately integrate the budgetary accounts at the legal level of control, nor did the system track budgetary amounts compared to actual amounts. In addition, monthly financial reports prepared by the Village Fiscal Officer for Council's review and approval did not include budget-to-actual information for each fund and receipts and disbursements at least the legal level of control.

We recommend the Village update the current system to include tracking budgeted receipts and expenditures against actual amounts, and implement a monitoring system for budgetary information and document the review and approval in the minutes.

#### **Officials' Response:**

Village council authorized the mayor to sign an agreement to rejoin the Uniform Accounting Network (UAN) system, as soon as feasible. (Regular Council meeting, March 20, 2018.)

## **FINDING 2016-021**

### **Internal Control – Annual Car Show**

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices.

The Village holds an annual car show. The Village sells tickets and purchases various items for the event. While tickets are pre-numbered, the Village failed to document the first and last ticket numbers sold. In addition, the Village paid for \$49 of car show related expenditures out of money collected at the event.

The practice of paying for expenses with cash collected at the event, and failure to document the first and last ticket number sold, reduces accountability over cash collected, and increases the risk of misappropriation of funds.

We recommend that the Village document the first and last tickets sold for the car show event to ensure completeness over receipts collected. Furthermore, expenditures should be properly encumbered using a purchase order and paid by check rather than with cash.

**FINDING 2016-021  
(Continued)**

**Officials' Response:**

Mayor authorized a mandatory receipt-vendor cover sheet, itemized for each village activity (car show, chili cook-off, Easter egg hunt, etc.), to be signed by recreation board member(s), and reviewed by council. (Recreation board members, March, 19, 2018, March 31, 2018).

**FINDING 2016-022**

**Internal Control – Segregation of Duties**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of fund balances and periodically reconciling them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Due to a small staff, the Fiscal Officer receives various payments to the Village, prepares the Village deposits, records receipt (deposit) information into the Village accounting system, transports the Village bank deposits to the designated depository, and reconciles the Village accounting system to the bank statement monthly. The Fiscal Officer also receives Village bills, writes and signs checks, mails all payments, and handles all payroll information sent to the service organization for payroll processing.

A lack of segregation of duties increase the risk that errors, theft, or fraud could occur and not be detected in a timely manner.

We recommend Village implement segregation of duties over financial transactions by involving other Village officials and employees. The Village should designate a different official or employee to:

1. Prepare Village bank deposits from the one taking the deposits to the authorized depository.
2. Prepare voucher packages for payment from the one mailing vendor checks.
3. Approve payroll for processing from the one responsible for maintaining personnel files and posting to the accounting system.

**Officials' Response:**

Proposal: mayor to appoint administrative assistant, with council approval, for 60-90 day tasks of general office management. Purpose: to ensure the full security & availability of pertinent records; to work with the incoming clerk of council, mayor, and administrator to ensure mail is processed and jointly develop a system for efficient government.



# Dave Yost • Auditor of State

VILLAGE OF NEWTONSVILLE

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  
MAY 10, 2018