



Dave Yost • Auditor of State

VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Summitville
Columbiana County
P.O. Box 56
Summitville, Ohio 43962

To the Village Council:

We were engaged to audit the accompanying financial statements of the Village of Summitville, Columbiana County, Ohio (the Village) as of and for the years ended December 31, 2011, 2010 and 2009.

The Village provided us with financial statements reflecting the Villages transactions for the audit periods noted above. However, the Village failed to provide the necessary source documentation to support the information reported within the financial statements. The Village did not provide Mayor's Court dockets, Mayor's Court receipt books and monthly Mayor's Court reports given to Council. In addition, supporting documentation for 42 of the disbursements selected for audit was not provided for the period noted above. Finally, the Village did not provide all bank statements and documentation to support the accuracy of amounts reflected as deposits in transit reported on the monthly reconciliations for each year under audit. As a result, we were unable to satisfy ourselves regarding the accuracy and completeness of the recorded receipts, disbursements and fund cash balances as of and for the years ended December 31, 2011, 2010 and 2009.

Due to the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial activity of the Village.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Dave Yost
Auditor of State

August 9, 2013

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**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$9,073	\$1,888	\$10,961
Intergovernmental	9,308	4,047	13,355
Fines, Licenses and Permits	2,263		2,263
Miscellaneous	3,550	75	3,625
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	24,194	6,010	30,204
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	10,256	2,546	12,802
Community Environment	4,097		4,097
Basic Utility Service	4,371		4,371
Transportation		6,695	6,695
General Government	10,544		10,544
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,268	9,241	38,509
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(5,074)	(3,231)	(8,305)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,074)	(3,231)	(8,305)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	6,360	22,723	29,083
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31			
Restricted		14,167	14,167
Committed		1,638	1,638
Unassigned (Deficit)	1,286	3,687	4,973
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$1,286</u>	<u>\$19,492</u>	<u>\$20,778</u>

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

VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Agency</u>
Operating Cash Receipts:	
Fines, Licenses and Permits	<u>\$6,726</u>
Total Operating Cash Receipts	<u>6,726</u>
Operating Cash Disbursements:	
Other	<u>5,938</u>
Total Operating Cash Disbursements	<u>5,938</u>
Operating Income/(Loss)	<u>788</u>
Fund Cash Balances, January 1	<u>4,755</u>
Fund Cash Balances, December 31	<u><u>\$5,543</u></u>

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

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$8,598	\$4,280	\$12,878
Intergovernmental	19,271	4,129	23,400
Fines, Licenses and Permits	4,000		4,000
Earnings on Investments	4		4
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	31,873	8,409	40,282
Cash Disbursements:			
Current:			
Security of Persons and Property	11,047	2,662	13,709
Leisure Time Activities		2,283	2,283
Community Environment	612		612
Basic Utility Service	3,308		3,308
Transportation		2,056	2,056
General Government	13,773		13,773
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	28,740	7,001	35,741
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	3,133	1,408	4,541
Other Financing Receipts / (Disbursements):			
Advances-In	2,812		2,812
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	2,812	0	2,812
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,945	1,408	7,353
Fund Cash Balances, January 1	415	21,315	21,730
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$6,360	\$22,723	\$29,083
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$8,922	\$632	\$9,554
	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Agency
Operating Cash Receipts:	
Fines, Licenses and Permits	\$10,585
Total Operating Cash Receipts	10,585
Operating Cash Disbursements:	
Other	8,410
Total Operating Cash Disbursements	8,410
Operating Income/(Loss)	2,175
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	2,175
Advances-Out	(2,812)
Net Receipts Over/(Under) Disbursements	(637)
Fund Cash Balances, January 1	7,812
Fund Cash Balances, December 31	\$7,175

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

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$8,475	\$5,978	\$14,453
Intergovernmental	15,340	3,906	19,246
Fines, Licenses and Permits	1,400		1,400
Earnings on Investments	6		6
Miscellaneous		4,712	4,712
		<u>4,712</u>	<u>4,712</u>
 Total Cash Receipts	 <u>25,221</u>	 <u>14,596</u>	 <u>39,817</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	7,685	2,829	10,514
Leisure Time Activities		6,167	6,167
Community Environment	306		306
Basic Utility Service	4,135		4,135
Transportation		3,802	3,802
General Government	15,894		15,894
	<u>15,894</u>		<u>15,894</u>
 Total Cash Disbursements	 <u>28,020</u>	 <u>12,798</u>	 <u>40,818</u>
 Total Receipts Over/(Under) Disbursements	 <u>(2,799)</u>	 <u>1,798</u>	 <u>(1,001)</u>
Other Financing Receipts / (Disbursements):			
Advances-In	2,147		2,147
	<u>2,147</u>		<u>2,147</u>
 Total Other Financing Receipts / (Disbursements)	 <u>2,147</u>	 <u>0</u>	 <u>2,147</u>
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (652)	 1,798	 1,146
 Fund Cash Balances, January 1	 <u>1,067</u>	 <u>19,517</u>	 <u>20,584</u>
 Fund Cash Balances, December 31	 <u>\$415</u>	 <u>\$21,315</u>	 <u>\$21,730</u>
 Reserve for Encumbrances, December 31	 <u>\$7,077</u>	 <u>\$528</u>	 <u>\$7,605</u>

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

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Agency
Operating Cash Receipts:	
Fines, Licenses and Permits	\$12,272
Total Operating Cash Receipts	12,272
Operating Cash Disbursements:	
Other	4,749
Total Operating Cash Disbursements	4,749
Operating Income/(Loss)	7,523
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	7,523
Advances-Out	(2,147)
Net Receipts Over/(Under) Disbursements	5,376
Fund Cash Balances, January 1	2,436
Fund Cash Balances, December 31	\$7,812

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

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Summitville, Columbiana County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, park operations, and police services. The Village contracts with the Franklin Township Volunteer Fire Department to receive fire protection services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

Fire Levy Fund – This fund receives real estate and personal property tax monies to cover the cost associated with contracting for fire protection.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011, 2010 and 2009 budgetary activity appears in Note 3.

VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies – (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

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

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2011	2010	2009
Demand deposits	\$26,321	\$36,258	\$29,542
Total deposits	\$26,321	\$36,258	\$29,542

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending 2011, 2010 and 2009 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,630	\$24,194	(\$9,436)
Special Revenue	5,325	6,010	685
Total	\$38,955	\$30,204	(\$8,751)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,907	\$29,268	\$10,639
Special Revenue	28,048	9,241	18,807
Total	\$67,955	\$38,509	\$29,446

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Continued)**

3. Budgetary Activity – (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,530	\$31,873	(\$1,657)
Special Revenue	5,325	8,409	3,084
Total	\$38,855	\$40,282	\$1,427

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,990	\$37,662	\$2,328
Special Revenue	28,048	7,633	20,415
Total	\$68,038	\$45,295	\$22,743

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,572	\$25,221	(\$9,351)
Special Revenue	6,798	14,596	7,798
Total	\$41,370	\$39,817	(\$1,553)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,638	\$35,097	\$541
Special Revenue	26,316	13,326	12,990
Total	\$61,954	\$48,423	\$13,531

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Continued)**

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Police Cruiser Loan	1,605	4.2%
Total	\$1,605	

The Village signed a promissory note with Consumers National Bank on May 14, 2008 for \$10,176 for the purchase of a police cruiser. The loan is collateralized by the Village's taxing authority.

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

	Promissory Note
Year ending December 31: 2012	1,650
Total	\$1,650

6. Retirement Systems

The Village's 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. For 2011, 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. As noted in the Schedule of Findings, the Village did not withhold PERS for all Village employees and also didn't submit regular monthly PERS withholdings to PERS.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. Compliance

Contrary to Ohio law, the Fiscal Officer did not deposit cash receipts to the bank on a timely basis. Also, contrary to Ohio law, the Mayor's Court did not maintain a docket book to document the disposition of each case. In addition, records that should have been maintained were destroyed and not available for audit contrary to provisions of Ohio law.



Dave Yost • Auditor of State

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

Village of Summitville
Columbiana County
P.O. Box 56
Summitville, Ohio 43962

To the Village Council:

We were engaged to audit the financial statements of the Village of Summitville, Columbiana County, (the Village) as of and for the years ended December 31, 2011, 2010 and 2009, and have issued our report thereon dated August 9, 2013. Our report indicated we were unable to review Mayor's Court dockets, Mayor's Court receipt books and monthly Mayor's Court reports given to Council; documentation supporting 42 of the disbursements selected for testing; all bank statements and documentation to support the deposit in transit amounts reported on the monthly reconciliations, therefore, we did not express an opinion.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-05 through 2011-09 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-07 and 2011-10.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 9, 2013.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

August 9, 2013

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011, 2010 AND 2009**

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

FINDING NUMBER 2011-01

Non-Payroll Disbursements – Noncompliance

Ohio Rev. Code Section 5705.41(D) provides that no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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 both at the time that the contract or order was made "then" at the time that the fiscal officer is completing the certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

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

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

The Village did not always certify funds at the time of the commitment. We noted 7 out of the 30 expenditures tested for 2011 (in addition 20 invoices were not available for us to see if an item was properly encumbered), 15 out of the 32 expenditures tested for 2010 (in addition 13 invoices were not available for us to see if an item was properly encumbered) and 11 out of the 30 expenditures tested for 2009 (in addition 9 invoices were not available for us to see if an item was properly encumbered) were not properly certified by the fiscal officer. Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated.

**FINDING NUMBER 2011-01
(Continued)**

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

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 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 Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code in order to reduce the available appropriation.

FINDING NUMBER 2011-02

Federal Tax Withholdings - Noncompliance

26 USCS Sections 3102 and 3402 require the employing government to withhold federal and employment-related taxes (such as Medicare and Social Security) from each employee. Furthermore, these chapters hold employers liable for reporting and payment of these taxes.

It did not appear that the Village was submitting Federal withholding taxes to the IRS.

We recommend that the Village submit Federal withholding taxes to the IRS in a timely fashion.

This issue will also be referred to the IRS.

FINDING NUMBER 2011-03

State Income Tax Withholdings - Noncompliance

Ohio Rev. Code Section 5747.06 requires every employer, including political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to any employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee’s compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee’s adjusted gross income during the calendar year.

Ohio Rev. Code Section 5747.07 (B) provides that, with certain exceptions, every employer is required to deduct and withhold any amount under **Ohio Rev. Code Section 5747.06** shall file a return and shall pay the amount required by law in accordance with guidelines provided by this section.

The Village did not regularly remit State income tax withholdings to the Treasurer of State in 2009, 2010 and 2011. We also noted two separate \$500 penalties paid by the Village for failure to file in 2009.

The Village should regularly remit State income tax withholdings to the Treasurer of State.

This issue will be referred to the Ohio Department of Taxation.

FINDING NUMBER 2011-04

OPERS Withholdings - Noncompliance

Ohio Rev. Code Section 145.01 provides in subsection (A) that a public employees retirement system is hereby created for the public employees of the state and of the several local authorities mentioned in section 145.01 of the Revised Code. Except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues. Subsection (B) provides a student who is not a member at the time of his employment with the school, college, or university in which he is enrolled and regularly attending classes may elect to be exempted from compulsory membership and a student who is a member may elect to have his employment with the school, college, or university in which he is enrolled and regularly attending classes exempted from contribution to the retirement system. An election to be exempted from membership or contribution shall be made by signing a written application for exemption within the first month after being employed and filing the application with the public employees retirement board.

All applications, when approved by the public employees retirement board and filed with the employer, shall be irrevocable while the employee is continuously employed by the school, college, or university and regularly attending classes.

Ohio Rev. Code Section 145.47 requires the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall deduct from the earnable salary of each contributor on every payroll of such contributor for each payroll period subsequent to the date of coverage, an amount equal to the applicable per cent of the contributor's earnable salary. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants , checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants , checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter.

We noted that the Village Fiscal Officer did not withhold the employee portion of OPERS from all required employees of the Village. We also noted that the Village did not submit regular monthly OPERS withholdings to OPERS.

We recommend the Fiscal Officer withhold correct OPERS amounts from all employees. We also recommend the Fiscal Officer submit monthly to OPERS a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants , checks, or electronic payments covering the total of such deductions.

This issue will be referred to the OPERS.

FINDING NUMBER 2011-05

Accounting Records - Noncompliance / Material Weakness

Ohio Admin. Code Sections 117-2-02(D) provides all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
3. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
4. In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - a. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations;
 - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - iv. Information regarding nonmonetary benefits such as car usage and life insurance; and
 - v. Information, by employee, regarding leave balances and usage;

The Village did not maintain adequate accounting records. The Village does not have proper payroll records consisting of 941 and 944's. We also noted the Village failed to file some Federal, State, and OPERS payroll withholdings as identified in finding numbers 2011-02 through 2011-04 above; and the Village failed to provide time sheets for its workers or records of attendance for its Council members. The Village did not maintain adequate Mayor's Court records, and various other records.

We recommend that the Village maintain the proper accounting records.

FINDING NUMBER 2011-06

Mayor's Court Records - Noncompliance / Material Weakness

Ohio Rev. Code Section 149.351(A) provides that all records are the property of the public office concerned and shall not 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 commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be removed, transferred, or destroyed unlawfully.

Tickets issued for violations, the Mayor's court cashbook, the Mayor's Court docket, receipt books and monthly reports to Council are the property of the Mayor's Court and none of these records were available for audit. In addition, there were no rules adopted by a records commission to provide exceptions. We were unable to obtain sufficient evidential matter supporting the amounts recorded as Fines, Licenses and Permits receipts and Other Operating disbursements reported in the Mayor's Court Fund for the years ending December 31, 2011, 2010 and 2009.

The Village Council should establish a records retention policy and a records commission, who would be responsible for adopting a records retention schedule. The Mayor and the Mayor's court clerk should maintain court records as provided by the policy and the schedule.

FINDING NUMBER 2011-07

Mayor's Court Docket - Noncompliance / Material Weakness

Ohio Rev. Code Section 1905.21 provides that the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket. Neither the mayor of a municipal corporation nor a mayor's court magistrate shall retain or receive for his own use any of the fines, forfeitures, fees or costs he/she collects. The mayor shall account for and dispose of all fines, forfeitures fees and costs he collects as provided in section 733.40 of the Ohio Revised Code.

The Mayor did not keep a docket to account for the fine forfeitures, fees or costs he collected or the disposition of the fines, forfeitures, fees and costs collected. We were unable to obtain sufficient evidential matter supporting the amounts recorded as Fines, Licenses and Permit receipts and Other Operating disbursements reported in the Mayor's Court Fund for the years ending December 31, 2011, 2010 and 2009.

The Mayor should review the provisions of the Ohio Revised Code in regards to Mayor's Court and maintain a docket to account for the collection and disposition of all fines, forfeitures, fees and costs he collects. Docket entries should be made on a timely basis and include a complete record of each court case.

FINDING NUMBER 2011-08

Bank Reconciliations – Material Weakness

The Fiscal Officer is responsible for reconciling the Village's book (fund) balance to the total bank balance on a monthly basis.

The Village did not provide all bank statements. Documentation to support the amounts reflected on the reconciliations as deposits in transit was not maintained. As a result, we were unable to determine whether the amounts reflected as deposits in transit were accurate. In addition, there is no indication that the monthly cash reconciliations are reviewed and/or approved by Village Council.

**FINDING NUMBER 2011-08
(Continued)**

During testing of intergovernmental receipts we noted 16 instances where the receipts were not deposited in a timely manner. We also noted 22 checks issued by the State that have not been cashed by the Village and have subsequently been voided. These checks were issued in FY2007, FY2008, FY2009 and FY2010 and totaled \$3,260. Since the Village recorded these checks as receipts in their accounting records, properly completed timely bank reconciliations would have identified the receipts had not been deposited.

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We also noted that the January 1, 2011 beginning fund balance for the Agency Fund did not agree to the December 31, 2010 ending balance. It is unclear the reason for this difference and if the reconciliations were properly prepared, this situation would have been identified and properly corrected by the Village Clerk and/or Council.

The Fiscal Officer should maintain all bank statements and supporting documentation used to prepare the monthly cash reconciliations. Village Council should review and approve each reconciliation by signing and dating said reconciliation. The Village Council should implement policies and procedures requiring the Fiscal Officer to deposit the receipts in a timely manner. Also, the Village should complete a Claim for Reissuance of a Voided Warrant due to Age and request these checks be reissued to the Village.

FINDING NUMBER 2011-09

Non-Payroll Disbursements – Material Weakness

Out of the 92 non-payroll disbursements tested for 2009, 2010 and 2011, we noted the following:

- The Village provided no invoices for 42 of the disbursements selected.
- The Village provided insufficient supporting documentation for six disbursements.
- The amount paid for seven of the disbursements did not agree to the attached invoice amount.
- No canceled checks were provided for 55 of the disbursements.
- Disbursements were posted to an improper fund for 34 of the transactions tested.
- Purchase orders were dated after the invoice date for 32 of the disbursements.
- There was no signature of the Clerk/Treasurer for 92 of the purchase orders to certify resources.
- Sixty-two vouchers were signed by the Clerk/Treasurer in her maiden name; instead of her current married name.

Of the 6 disbursements with insufficient supporting documentation, we noted these involved employee reimbursements that did not include the complete substantiation of receipts as follows:

- Many involved the reimbursement for office supplies purchased by employees. One of these disbursements included receipts from Wal-Mart for paper and miscellaneous office supplies. There was also a note that the employee spent \$54 at Staples; however, no Staples receipt was provided to support the additional amount.
- One reimbursement for a uniform allowance refunded the employee for \$300; however the receipts provided to support the reimbursement only substantiated \$256.

**FINDING NUMBER 2011-09
(Continued)**

We noted various other issues related to the disbursements of the Village as follows:

- One reimbursement involved office supplies and car washes for the police cruiser; however, no receipts were provided for car washes.
- One reimbursement for an employee to update ORC books was made out to the employee with no receipts to support the amount.
- There was also a training and cell phone reimbursement made out to an employee that included no receipts to support the amounts.

Reimbursements should include all receipts and the amount of the reimbursement should be limited if insufficient documentation is provided.

- Multiple checks reflected in the accounting system were made out to a Lawn Structure vendor in 2009. The first check, 5061, showed up in the Payment Register with an X next to it. It may have been canceled, the second check, check number 5065 showed up in the Payment Register as C (cashed), a third check showed up on the copies of the canceled checks and this check was cashed as check number 5044. The Village did not provide any copies of check numbers 5061 or 5065. However, neither check 5061 nor check 5065 cleared the bank during the year. The Village did not maintain documentation to determine if these checks were properly voided.
- In 2010 the Ohio Treasurer of State was paid twice for delinquent tax on failure to withhold State income tax from employees' pay. Two disbursements (check numbers 5131 and 5145) were for this purpose and each included a \$500 penalty on top of the amounts due. It was not clear if this obligation was paid twice or if these were two separate penalties for failure to withhold on two or more different pay periods.
- Check number 5174 appeared to have been voided after Ohio Leads (Treasurer of State of Ohio) sent back a check for \$600.00 because the obligation had previously been paid. Invoices should be stamped paid after an obligation has been paid so an invoice is only paid once.

We recommend the Village Council implement procedures to help ensure that documents are maintained to support all disbursements, disbursement information is posted properly to the Uniform Accounting Network and disbursements are posted to the proper fund.

We recommend the Village Council implement employee reimbursement policies and procedures to require employees to substantiate all reimbursements with itemized receipts (including travel reimbursement, uniform allowances and miscellaneous supply reimbursements).

We recommend the Clerk/Treasurer implement the following procedures to improve controls over the disbursement process:

- Date stamp an invoice when it is received.
- Stamp "paid" on an invoice when the payment is made.
- Sign the purchase orders when the certification of the availability of funds is made.
- Sign checks in her current legal married name and to change her signatory at the bank to her legal name.

**FINDING NUMBER 2011-09
(Continued)**

- Request copies of canceled checks to be included with the bank statements.
- Maintain vouchers in sequential order with supporting documentation attached to each.
- Post disbursements to the proper fund. The Mayor's Court fund is an agency fund and should only include disbursements pertaining to fines and penalties payable to the State and Village, and for the computerization of the Mayor's Court record keeping system.

FINDING NUMBER 2011-10

Mayor's Court Receipts – Finding for Recovery

Ohio Rev. Code Section 2921.41(A), provides that no public official...shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. (B) Whoever violates this section is guilty of theft in office.

During our review of the Mayor's court receipts; we noted 12 instances in which the Clerk, Jennifer Burton, collected cash for payment on tickets issued by the Village's Police Department. In those 12 instances, the cash collected by Jennifer Burton was not deposited to the Village's account in the amount totaling \$1,590.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public property which has been misappropriated or converted is hereby issued against Jennifer Burton and Ohio Plan Risk Management, Inc., jointly and severally, in the amount of \$1,590, and in favor of the Village's Agency Fund.

Official's Response:

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

**VILLAGE OF SUMMITVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-01	Noncompliance citation for not depositing receipts in a timely manner.	No	Repeated as finding # 2011-08
2008-02	Noncompliance citation, total appropriations exceeded estimated resources at year end.	No	Repeated within the management letter for the current year.
2008-03	Noncompliance citation for not properly certifying purchases	No	Repeated as finding # 2011-1
2008-04	Noncompliance citation / Material Weakness for not maintaining all Mayor's Court records.	No	Repeated as finding # 2011-6
2008-05	Noncompliance citation / Material Weakness issued to the Village for not maintaining a Mayor's Court docket.	No	Repeated as finding #2011-7

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Dave Yost • Auditor of State

VILLAGE OF SUMMITVILLE

COLUMBIANA 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
MARCH 6, 2014**