



**VILLAGE OF FLUSHING
BELMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF FLUSHING
BELMONT COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Flushing
Belmont County
P. O. Box 66, 212 High Street
Flushing, Ohio 43977

To the Village Council:

We have audited the accompanying financial statements of the Village of Flushing, Belmont County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to determine completeness of charges for services recorded in the Enterprise Fund Type. These utility revenues represent 99 percent and 83 percent of revenues of the Enterprise Fund Type at December 31, 1999 and 1998, respectively.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting the completeness and accuracy of utility revenues, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Flushing, Belmont County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2001, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 5, 2001

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>			
Cash Receipts:						
Property Tax and Other Local Taxes	\$11,797	\$40,795	\$	\$52,592	\$	\$52,592
Intergovernmental Receipts	112,427	41,641	13,337	167,405		167,405
Earnings on Investments	22,723	836		23,559	71	23,630
Miscellaneous	13,206	778		13,984	2,510	16,494
Total Cash Receipts	<u>160,153</u>	<u>84,050</u>	<u>13,337</u>	<u>257,540</u>	<u>2,581</u>	<u>260,121</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	30,755	42,250		73,005		73,005
Leisure Time Activities		5,328		5,328		5,328
Transportation		17,164		17,164		17,164
General Government	79,276	964		80,240	3,022	83,262
Debt Service	2,361		175,177	177,538	7,429	184,967
Capital Outlay	21,778		43,337	65,115	3,500	68,615
Total Cash Disbursements	<u>134,170</u>	<u>65,706</u>	<u>218,514</u>	<u>418,390</u>	<u>13,951</u>	<u>432,341</u>
Total Receipts Over/(Under) Disbursements	<u>25,983</u>	<u>18,344</u>	<u>(205,177)</u>	<u>(160,850)</u>	<u>(11,370)</u>	<u>(172,220)</u>
Other Financing Receipts:						
Sale of Bonds or Notes			205,177	205,177		205,177
Sale of Fixed Assets				0	1,000	1,000
Total Other Financing Receipts	<u>0</u>	<u>0</u>	<u>205,177</u>	<u>205,177</u>	<u>1,000</u>	<u>206,177</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>25,983</u>	<u>18,344</u>	<u>0</u>	<u>44,327</u>	<u>(10,370)</u>	<u>33,957</u>
Fund Cash Balances, January 1	<u>53,948</u>	<u>32,130</u>	<u>0</u>	<u>86,078</u>	<u>11,002</u>	<u>97,080</u>
Fund Cash Balances, December 31	<u>\$79,931</u>	<u>\$50,474</u>	<u>\$0</u>	<u>\$130,405</u>	<u>\$632</u>	<u>\$131,037</u>

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

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$292,428
Total Operating Cash Receipts	292,428
Operating Cash Disbursements:	
Personal Services	64,986
Contractual Services	86,580
Supplies and Materials	39,534
Total Operating Cash Disbursements	191,100
Operating Income/(Loss)	101,328
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	3,865
Total Non-Operating Cash Receipts	3,865
Non-Operating Cash Disbursements:	
Debt Service	86,584
Total Non-Operating Cash Disbursements	86,584
Net Receipts Over/(Under) Disbursements	18,609
Fund Cash Balances, January 1	303,449
Fund Cash Balances, December 31	\$322,058

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

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>			
Cash Receipts:						
Property Tax and Other Local Taxes	\$11,849	\$41,012	\$	\$52,861	\$	\$52,861
Intergovernmental Receipts	69,809	49,639	24,181	143,629		143,629
Fines, Licenses, and Permits	8,584			8,584		8,584
Earnings on Investments	22,510			22,510	76	22,586
Miscellaneous	15,678			15,678		15,678
Total Cash Receipts	<u>128,430</u>	<u>90,651</u>	<u>24,181</u>	<u>243,262</u>	<u>76</u>	<u>243,338</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	30,092	41,482		71,574		71,574
Leisure Time Activities		2,317		2,317		2,317
Transportation		34,656		34,656		34,656
General Government	103,147	979		104,126	503	104,629
Debt Service				0	2,799	2,799
Capital Outlay			149,181	149,181	772	149,953
Total Cash Disbursements	<u>133,239</u>	<u>79,434</u>	<u>149,181</u>	<u>361,854</u>	<u>4,074</u>	<u>365,928</u>
Total Receipts Over/(Under) Disbursements	<u>(4,809)</u>	<u>11,217</u>	<u>(125,000)</u>	<u>(118,592)</u>	<u>(3,998)</u>	<u>(122,590)</u>
Other Financing Receipts:						
Sale of Bonds or Notes			125,000	125,000	15,000	140,000
Total Other Financing Receipts			<u>125,000</u>	<u>125,000</u>	<u>15,000</u>	<u>140,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(4,809)</u>	<u>11,217</u>	<u>0</u>	<u>6,408</u>	<u>11,002</u>	<u>17,410</u>
Fund Cash Balances, January 1	<u>58,757</u>	<u>20,913</u>	<u>0</u>	<u>79,670</u>	<u>0</u>	<u>79,670</u>
Fund Cash Balances, December 31	<u>\$53,948</u>	<u>\$32,130</u>	<u>\$0</u>	<u>\$86,078</u>	<u>\$11,002</u>	<u>\$97,080</u>

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

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$284,559
Total Operating Cash Receipts	284,559
Operating Cash Disbursements:	
Personal Services	78,498
Contractual Services	68,273
Supplies and Materials	28,176
Capital Outlay	47,013
Total Operating Cash Disbursements	221,960
Operating Income/(Loss)	62,599
Non-Operating Cash Receipts:	
Intergovernmental Receipts	55,743
Miscellaneous	3,436
Total Non-Operating Cash Receipts	59,179
Non-Operating Cash Disbursements:	
Debt Service	87,836
Other Non-Operating Cash Disbursements	67
Total Non-Operating Cash Disbursements	87,903
Net Receipts Over/(Under) Disbursements	33,875
Fund Cash Balances, January 1	269,574
Fund Cash Balances, December 31	\$303,449

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

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. REPORTING ENTITY

The Village of Flushing, Belmont County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services (security of persons and property). The Village contracts with the Flushing Volunteer Fire Department to provide fire protection (security of persons and property).

The Village's management believes these financial statements present all activities for which the Village is financially accountable, including the Village of Flushing Community Improvement Corporation, the Village's discretely presented component unit.

Discretely Presented Component Unit

The component unit column in the combined financial statements identifies the financial data of the Village's component unit, the Village of Flushing Community Improvement Corporation (CIC). It is discretely reported in a separate column to emphasize that it is legally separate from the Village. The CIC is a legally separate, not-for-profit corporation, serving the citizens of the Village and is governed by a ten-member board. Five of the ten members of the CIC Board are elected officials of the Village, including the Mayor, Clerk-Treasurer, and three members of Village Council. The Village provides significant funding to the CIC as needed, and also issued debt to aid the CIC in the planning and development of an industrial park within the Village corporation limits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

B. Cash and Investments

Certificates of deposit are valued at cost.

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Fund

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

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

Police Levy Fund -This fund receives property tax money to provide police protection to Village residents.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Industrial Park Fund - This fund receives proceeds of other public debt. The proceeds are being used to plan the development of the Village industrial park.

Ohio Water Development Authority Industrial Park Fund - This fund receives loans and grants from the Ohio Water Development Authority. The proceeds are being used for extension of water and sewer lines to the Village industrial park.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water Capital Improvement Fund - This fund receives charges for services from residents to cover the cost of construction and repair of facilities relating to this utility.

Sewer Capital Improvement Fund - This fund receives charges for services from residents to cover the cost of construction and repair of facilities relating to this utility.

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The Flushing Community Improvement Corporation (CIC), the Village's component unit, does not adopt a budget and is not legally required to.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and need reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 4.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Unpaid Sick Leave

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 231,109	\$ 246,401
Certificates of deposit	<u>221,354</u>	<u>143,126</u>
Total deposits-Primary Government	<u>\$ 452,463</u>	<u>\$ 389,527</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 1999 and 1998, the carrying amount and bank balance of the CIC's deposits were \$632 and \$11,002, respectively. The entire bank balance was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998, follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 133,613	\$ 160,153	\$ 26,540
Special Revenue	83,350	84,050	700
Capital Projects	0	218,514	218,514
Enterprise	<u>277,200</u>	<u>296,293</u>	<u>19,093</u>
Total	<u>\$ 494,163</u>	<u>\$ 759,010</u>	<u>\$ 264,847</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 157,850	\$ 134,170	\$ 23,680
Special Revenue	117,181	65,706	51,475
Capital Projects	0	218,514	(218,514)
Enterprise	<u>460,314</u>	<u>277,684</u>	<u>182,630</u>
Total	<u>\$ 735,345</u>	<u>\$ 696,074</u>	<u>\$ 39,271</u>

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 99,950	\$ 128,430	\$ 28,480
Special Revenue	89,200	90,651	1,451
Capital Projects	0	149,181	149,181
Enterprise	279,000	343,738	64,738
Total	\$ 468,150	\$ 712,000	\$ 243,850

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 130,947	\$ 133,239	\$ (2,292)
Special Revenue	121,861	79,434	42,427
Capital Projects	0	149,181	(149,181)
Enterprise	489,523	309,863	179,660
Total	\$ 742,331	\$ 671,717	\$ 70,614

The Village incurred expenditures in excess of appropriations for several funds at December 31, 1999 and 1998. The Village incurred expenditures without obtaining the Clerk's prior certification of available funds.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 FLUSHING
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. DEBT

Debt outstanding at December 31, 1999, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$ 1,214,977	2-2.2%
Business Note	135,776	5.90%
Promissory Note - Line of Credit	35,177	6.90%
Total	\$ 1,385,930	

The Ohio Water Development Authority (OWDA) loans relate to upgrades to the Village's water and sewer plant necessary to comply with Ohio Environmental Protection Agency regulations. The loans and an OWDA line of credit will be repaid in semiannual installments, including interest, over 21 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Amortization of the OWDA loans, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loans
2000	\$ 85,334
2001	85,334
2002	85,334
2003	85,334
2004	85,334
Subsequent	1,036,759
Total	\$ 1,463,429

At December 31, 1999, the Village also had \$8,487 outstanding on a letter of credit with the OWDA. The letter of credit has an unused, available balance of \$19,270. This loan is being repaid in semiannual installments of \$1,251, including interest over 20 years. OWDA will adjust scheduled payments based on amounts actually borrowed.

During 1999, the Village issued a business note in the amount of \$140,000 through their local banking institution and also the Village was approved for a line of credit up to \$195,000 through their local banking institution. As of December 31, 1999, the Village had used \$35,177 of the line of credit. The business note and the line of credit were issued to aid the Flushing Community Improvement Corporation plan the development of an industrial park within the Village corporation limits. Certain Village property and five certificates of deposit have been pledged as collateral to secure the business note and the line of credit.

The business note was issued for a period of 15 years and principal and interest payments are payable monthly in the amount \$1,180. During 1999, the Village and the Flushing CIC, the Village's component unit, made principal and interest payments on this loan in the amount \$3,846. The amounts in principal and interest owed were \$9,023. The remainder of the payments due on this loan during 1999 have been rolled into the line of credit in the amount of \$5,177.

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. DEBT (Continued)

The line of credit is payable on demand by the banking institution. In addition, the Village will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning January 8, 2000. Both the loan and letter of credit are solely the obligations of the Village.

7. OUTSTANDING LOAN RECEIVABLE

During 1999, the Village loaned MIH Marketing Corporation (MIH) \$30,000 for start up costs of their business. MIH was a prospective tenant of the Village's industrial park. The loan was issued at a rate of 10.50% and is to be repaid over a period of 35 monthly installments. As of the date of this report, MIH has paid \$23,000 in principal and interest on this loan.

8. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance coverage to full-time employees through a private carrier.

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Flushing
Belmont County
P. O. Box 66, 212 High Street
Flushing, Ohio 43977

To the Village Council:

We have audited the accompanying financial statements of the Village of Flushing, Belmont County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated January 5, 2001, wherein we noted we were unable to satisfy ourselves as to the completeness and accuracy of certain Enterprise Fund Type receipts. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-31007-001, 1999-31007-002 and 1999-31007-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 5, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-31007-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 5, 2001.

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

Jim Petro
Auditor of State

January 5, 2001

VILLAGE OF FLUSHING
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998

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

FINDING NUMBER 1999-31007-001

Noncompliance Citation

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 commissions provided 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 otherwise removed, transferred, or destroyed unlawfully.

For 1998, water meter reading sheets were not retained to support amounts billed to Village customers for utility services. As a result of this situation, we were unable to perform necessary audit procedures to determine that utility customers were accurately billed.

We recommend that water meter reading sheets be retained and filed with the utility clerk when they are complete and require replacement.

FINDING NUMBER 1999-31007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Fund expenditures exceeded total appropriations by the following amounts:

1998 - General Fund	\$2,292
1998 - Fire Levy IV Fund	124
1998 - Industrial Park Fund	125,000
1998 - OWDA Industrial Park Fund	24,181
1999 - Police Levy Fund	1,374
1999 - Fire Levy I Fund	291
1999 - Fire Levy III Fund	1,021
1999 - Fire Levy IV Fund	296
1999 - Industrial Park Fund	205,177
1999 - OWDA Industrial Park Fund	13,337
1999 - Water Fund	7,629

We recommend the Village officials monitor fund expenditures to ensure they remain within their respective appropriations.

VILLAGE OF FLUSHING
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 1999-31007-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

None of the obligations paid by the Village had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, free from any previous encumbrance. This could result in unauthorized expenditures and did result in expenditures in excess of appropriations.

We recommend the Village Clerk/Treasurer certify the availability of funds prior to incurring obligations.

FINDING NUMBER 1999-31007-004

Material Weakness - Utility Records

Monthly utility spreadsheets were prepared to reflect customer balances, amounts billed and payments received, with columnar totals after the last posted customer account. The spreadsheets did not reflect water meter reading information and source meter reading sheets were not retained for 1998 billings. The Clerk made adjustments to the columnar totals without always adequately explaining why the adjustments were required. While some months' adjustments were immaterial, other months' adjustments were significant. A monthly utility deposit worksheet was prepared; however, paid billing stubs were sorted by customer account number, rather than by deposit date, and utility spreadsheets did not reflect the dates customer payments were received.

As a result of these situations, we were unable to perform necessary audit procedures to determine that utility customers were accurately billed, customer accounts were properly credited for payments received, and penalties for late payments were appropriately applied.

**VILLAGE OF FLUSHING
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 1999-31007-004 (Continued)

Material Weakness - Utility Records (Continued)

We recommend the utility spreadsheets be expanded to provide information regarding water meter readings and dates that customer payments are received. We also recommend that when adjustments are required to spreadsheet columnar totals, an adequate explanation of the reasons for such adjustments be retained. We recommend that paid billing stubs be sorted by date deposited and/or date received. We also recommend the Village investigate the possibility and feasibility of purchasing a utility billing and collection computer program to assist their record keeping over utility billings and collections.



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VILLAGE OF FLUSHING

BELMONT 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
FEBRUARY 06, 2001**