



**Auditor of State  
Betty Montgomery**



VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Lawrenceville  
Clark County  
3819 Lawrenceville Drive  
Springfield, Ohio 45504

To the Village Council:

We were engaged to audit the accompanying financial statements of the Village of Lawrenceville, Clark County, (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management.

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.

We were not able to obtain complete and accurate accounting records to support the existence, completeness, and allocation of 2002 and 2001 water utility charges for services; Mayors Court activity as reported in the Mayor's Court Activity Fund – Fiduciary Fund Type, and as fines and forfeitures receipts reported in the General Fund; and certain non-payroll disbursements. We were unable to satisfy ourselves as to those financial activities by other audit procedures. The General Fund water utility charges for services represented \$11,287 and \$8,275 for 2002 and 2001, respectively. In addition, receipts related to Mayor's Court activity recorded in the General Fund during 2002 and 2001 represented \$49,431 and \$53,279, respectively. Mayors Court Agency Fund cash receipts for 2002 and 2001 represented \$59,986 and \$64,934, respectively, and cash disbursements represented \$60,076 and \$65,789, respectively. Unsupported non-payroll disbursements for all governmental funds during 2002 and 2001 represented \$7,585 and \$15,359 for each year, respectively.

Because of the significance of the matters described in the preceding paragraphs, we are unable to express, and we do not express, an opinion on the General Fund Type, Special Revenue Fund Type, or Agency Fund Type financial statements for 2002 and 2001.

As stated in Note 9, the Village was placed in Fiscal Watch by the Auditor of State on December 29, 1999, in accordance with Ohio Law.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Lawrenceville  
Clark County  
Independent Accountants' Report  
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This report is intended solely for the information and use of management, 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.

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

**Betty Montgomery**  
Auditor of State

April 7, 2004

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$16,069	\$2,223	\$18,292
Intergovernmental Receipts	5,606	13,729	19,335
Charges for Services	11,287		11,287
Fines, Licenses, and Permits	49,431		49,431
Earnings on Investments	62		62
Miscellaneous	4,762		4,762
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	87,217	15,952	103,169
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	49,841	11,361	61,202
Public Health Services		2,223	2,223
Leisure Time Activities	88		88
Basic Utility Services	14,055		14,055
Transportation		3,872	3,872
General Government	30,329		30,329
Debt Service:			
Principal and Interest Payments	5,319		5,319
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	99,632	17,456	117,088
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(12,415)	(1,504)	(13,919)
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		2,161	2,161
Transfers-Out	(2,161)		(2,161)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(2,161)	2,161	
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,576)	657	(13,919)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	1,301	27,900	29,201
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$13,275)</u></b>	<b><u>\$28,557</u></b>	<b><u>\$15,282</u></b>

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

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Fines and Costs	\$59,986
<b>Operating Cash Disbursements:</b>	
Court Distributions	60,076
Operating Income/(Loss)	(90)
Fund Cash Balance, January 1	1,410
<b>Fund Cash Balance, December 31</b>	<b>\$1,320</b>

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



**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$16,047	\$2,369	\$18,416
Intergovernmental Receipts	5,690	30,054	35,744
Charges for Services	8,275		8,275
Fines, Licenses, and Permits	53,279		53,279
Earnings on Investments	203	295	498
Miscellaneous	3,369		3,369
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,863	32,718	119,581
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	25,440	43,417	68,857
Public Health Services		2,628	2,628
Leisure Time Activities	223		223
Basic Utility Services	7,952		7,952
Transportation		265	265
General Government	46,197		46,197
Debt Service:			
Principal and Interest Payments	4,433		4,433
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	84,245	46,310	130,555
Total Receipts Over/(Under) Disbursements	2,618	(13,592)	(10,974)
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		17,392	17,392
Transfers-Out	(17,392)		(17,392)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(17,392)	17,392	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,774)	3,800	(10,974)
Fund Cash Balances, January 1	16,075	24,100	40,175
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$1,301</b>	<b>\$27,900</b>	<b>\$29,201</b>

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

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Fines and Costs	\$64,934
<b>Operating Cash Disbursements:</b>	
Court Distributions	65,789
Operating Income/(Loss)	(855)
Fund Cash Balance, January 1	2,265
<b>Fund Cash Balance, December 31</b>	<b>\$1,410</b>

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

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Lawrenceville, Clark 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, basic utilities, and security of persons and property.

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

**B. 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. 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 prescribed or permitted by the Auditor of State.

**C. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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.

**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.

**COPS Fast Fund** – This fund receives federal money to help pay payroll and fringe benefit expenses of the Village police department.

**3. Agency Funds**

This is used to account for fines and bond forfeitures collected by the Mayor's court on behalf of the Village and State.

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. 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 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 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. The Village did not use the encumbrance method of accounting.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$16,602	\$30,611

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

<b>2002 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$93,552	\$87,217	(\$6,335)
Special Revenue	6,472	18,113	11,641
Total	\$100,024	\$105,330	\$5,306

<b>2002 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$112,809	\$101,793	\$11,016
Special Revenue	0	17,456	(17,456)
Total	\$112,809	\$119,249	(\$6,440)

<b>2001 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$127,538	\$86,863	(\$40,675)
Special Revenue	4,605	50,110	45,505
Total	\$132,143	\$136,973	\$4,830

<b>2001 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$88,000	\$101,637	(\$13,637)
Special Revenue	48,150	46,310	1,840
Total	\$136,150	\$147,947	(\$11,797)

**4. 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 payments, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Police Cruiser Loan	\$7,537	5.36%

The Village borrowed \$15,570 in February, 2001 for the purposes of purchasing a police cruiser. The interest rate was initially set at 10.15%, which was reduced to 5.36% in November, 2001. The repayment period was extended to May 2005, and the monthly payment reduced from \$443 to \$240, effective May, 2003.

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

	<b>Police Cruiser Loan</b>
Year ending December 31:	
2003	3,899
2004	2,884
2005	1,223
Total	\$8,006

**6. RETIREMENT SYSTEMS**

Village officials and full-time 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 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risk:

- Vehicles

The Village is uninsured for the following risks:

- Errors and omissions.

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

**8. CONTINGENT LIABILITIES**

The Village is not a defendant in any litigation that counsel believes will materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**9. FISCAL WATCH**

Ohio Rev. Code Sections 118.02 and 118.03 establish the guidelines regarding fiscal watch and fiscal emergency situations. As of December 31, 1999, the Auditor of State placed the Village on a fiscal watch.

**10. SUBSEQUENT EVENTS**

On August 18, 2003, the Village disbanded the police department, and thus activity of the Mayor's Court has also ceased. Police services are currently provided by the Clark County Sheriff.

**11. COMPLIANCE**

Budgetary expenditures exceeded appropriation authority in the General Fund by \$13,637 and in the Special Revenue Fund by \$17,456 for the years ended December 31, 2001 and 2002, respectively, contrary to Ohio law.

The General Fund had a cash deficit balance of \$13,275 at December 31, 2002, contrary to Ohio law.

The annual budget and Certificate of Estimate Resources were not filed with the County Budget Commission, contrary to Ohio law.





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Lawrenceville  
Clark County  
3819 Lawrenceville Drive  
Springfield, Ohio 45504

To the Village Council:

We have audited the accompanying financial statements of the Village of Lawrenceville, Clark County, (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 7, 2004, in which we noted that the Village was not able to provide complete and accurate accounting records to support 2002 and 2001 water utility charges for services; 2002 and 2001 fines, forfeitures receipts; and certain non payroll disbursements recorded in the governmental funds. In addition, the Village was not able to provide certain accounting records related to the Village Mayor's Court activity recorded in the Agency Fund. We also noted the Village was placed in fiscal watch December 29, 1999. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 2002-001 to 2002-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 7, 2004.

**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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, 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. Reportable conditions are described in the accompanying schedule of findings as items 2002-008 to 2002-014.

**Internal Control Over Financial Reporting  
(Continued)**

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-008 to 2002-011 to be material weaknesses. 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 April 7, 2004.

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



**Betty Montgomery**  
Auditor of State

April 7, 2004

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2002 AND 2001**

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

**NONCOMPLIANCE CITATIONS**

**FINDING NUMBER 2002-001**

**Questioned Costs**

<b>CFDA Title and Number</b>	Public Safety Partnership and Community Policing Grants CFDA #16.710
<b>Federal Award Number / Year</b>	#95CFWX5455/2001, 2000 & 1999
<b>Federal Agency</b>	U.S. Department of Justice, Office of Community Oriented Policing Services

The Village of Lawrenceville received \$209,590 from the U.S. Department of Justice under the Public Safety Partnership and Community Policing Grants, COPS FAST grant program. The original grant, in the amount of \$75,000 (from March 1995 through February 1998) was to cover the costs of hiring a full-time entry level officer. The first supplement to the grant, in the amount of \$29,924 (May 1996 through April 1999) was to cover the costs of hiring one additional part-time officer. The second supplement, in the amount of \$104,666 (July 1998 through December 2002) was to cover the costs of hiring both an additional part-time and full-time officer.

The Village did not follow the hiring provisions of the second supplement of the COPS FAST Grant. In 1999 the Village did not fill an additional full-time position as required, and did not return the applicable grant monies. The amount of questioned cost for 1999, therefore, is the amount received towards an additional full time officer's salary in the amount of \$26,000. Similarly, a full time officer was not hired in 2000, yet the Village did not return the applicable grant monies. The total questioned cost for 2000 is \$25,830 (\$25,000 for the full-time position and \$831 for the part-time position). Furthermore, during 2001 the Village still had not filled the full-time position and 10 months passed without the part-time position having been filled. Grant money for these positions was not returned. The amount of questioned costs for 2001 is \$32,305 (\$24,000 for the full-time position and \$8,305 for the part-time position). In total, the Village accepted \$84,135 in COPS grant money for police officer positions the Village did not fill.

**FINDING NUMBER 2002-002**

**Ohio Rev Code Section 5705.10** states that money paid into any fund shall be used only for the purposes for which such fund is established. At December 31, 2002 the General Fund had negative cash balance in the amount of \$13,275.

The deficit balance indicates that cash from another fund had been used to pay the obligations of the General Fund. The Village should implement budgetary review procedures that would identify deficit funding situations prior to their occurrence.

**NONCOMPLIANCE CITATIONS  
 (Continued)**

**FINDING NUMBER 2002-003**

**Ohio Rev Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. Disbursements exceeded appropriations at the legal level of control in the following funds:

<u>Fund</u>	<u>Account</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
<b>General</b>				
<b>2002</b>	General Government - Contract Services	\$12,730	\$18,512	(\$5,782)
<b>2001</b>	General Government - Contract Services	12,800	32,178	(19,378)
	Transfers	0	17,392	(17,392)
<b>Special Revenue</b>				
<b>2002</b>	No Appropriations were approved by Council			
	Street Construction, Maintenance and Repair	0	3,872	(3,872)
	Cops Fast	0	11,361	(11,361)
	Public Health	0	2,223	(2,223)
<b>2001</b>				
	Public Health Contractual Services	2,300	2,628	(328)

Immaterial Instances of non-compliance were also noted during testing.

To meet compliance with the above section of code and to reduce the risk of deficit fund balances, the Village should develop and implement procedures to monitor expenditures and encumbrances and compare with budgeted amounts. Further, Council should appropriate all Special Revenue Funds. In instances where appropriations appear insufficient to meet projected needs, the Council should pass a resolution to amend.

**FINDING NUMBER 2002-004**

**Ohio Rev. Code Section 5705.28** states on or before July 15<sup>th</sup>, in each year, the taxing authority of each subdivision or other taxing unit is required to adopt a tax budget for the next the succeeding fiscal year. The Village did not adopt a tax budget in 2001 and 2002. To provide for informed planning and decisions by Council and to comply with the above section of Code, the tax budget should be reviewed and adopted by Village Council.

**FINDING NUMBER 2002-005**

**Ohio Rev. Code Section 5705.34** requires that each tax authority pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1, unless a later date is approved by the tax commissioner.

Village Council failed to pass an ordinance or resolution to authorize the necessary tax levies for 2001. In 2002 the Village certified the levies to the county auditor three months late.

**NONCOMPLIANCE CITATIONS  
(Continued)**

**FINDING NUMBER 2002-006**

**Ohio Rev. Code Section 5705.36** states on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The Village could not provide evidence that the 2001 certificate was filed with the county auditor as required. To allow the budget commission to certify available estimated resources in an accurate and timely manner and to meet the above compliance, the Village should certify to the county auditor the total amount from all sources available for expenditures on the due date.

**FINDING NUMBER 2002-007**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 \$1,000 (\$3,000 effective April 7, 2003) 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 not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated September 26, 2003) or running beyond the current 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 one line item appropriation.

**NONCOMPLIANCE CITATIONS  
(Continued)**

**FINDING NUMBER 2002-007  
(Continued)**

The Village did not properly certify the availability of funds prior to purchase commitment for all of the purchases during 2002, and only 21.05% of the 2001 purchases were properly certified. Furthermore, there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds resulted in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 Village Treasurer certify that the funds are or will be available prior to the 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 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 commitments to the proper appropriation code, to reduce the available appropriation.

**MATERIAL WEAKNESSES**

**FINDING NUMBER 2002-008**

**Ohio Rev. Code Section 703.20** states that Villages may surrender their corporate powers upon the petition to the legislative authority of the Village of at least forty percent of the electors in the Village, and by an affirmative vote of a majority of such electors at a special election. If the result of the election is in favor of such surrender, the village clerk shall certify the results to the Secretary of State and the County Recorder, and the corporate powers of such Village shall cease.

The Village of Lawrenceville was declared to be in "fiscal watch" by the Auditor of State on December 29, 1999, in accordance with Ohio Rev. Code Sections 118.022 and 118.023, and continues to be in fiscal watch as of the date of this report.

The Village's General Fund cash balance as of December 31 for the last six years was as follows:

1997	(\$1,840)
1998	(10,806)
1999	(1,118)
2000	16,075
2001	1,301
2002	(13,275)

The Village has a six year history of an unsound financial position and management has not developed a financial plan or taken corrective action as outlined in previous audit reports. The Village Council and Village Clerk are elected positions. However, due to numerous resignations, all council members and the clerk's position are filled by individuals who were appointed.

**MATERIAL WEAKNESSES  
(Continued)**

The "Independent Accountants' Reports" for the years ended December 31, 1997, 1998, 1999, 2000 were qualified on charges for services for water in the General Fund. The Independent Accountants' Report included in this report for the years ended December 31, 2001 and 2002, "disclaimed an opinion" on all Village financial statements. Audit reports from 1997 to 2002 consistently reported material weaknesses regarding utility (water) records, record keeping, and other significant internal control weaknesses. This situation is caused by a lack of records to substantiate the amounts presented in the financial statements, as well, as control over what amounts should be billed and collected. This condition underscores the Village's difficulty obtaining the resources necessary to make significant renovations or improvements to the water infrastructure system, as the Village's financial reports and condition discloses that funds have not been set aside for emergency repairs or enhancements to the infrastructure system.

On August 18, 2003, the Village disbanded the police department, and thus activity of the Mayor's Court has also ceased.

With the conditions noted above, and the ongoing financial concerns and constraints that the Village is operating under, we recommend that the Village Council consider circulating a petition for the surrender of corporate power as outlined in Ohio Rev. Code Section 703.20.

**FINDING NUMBER 2002-009**

Complete and accurate records are necessary for a government to work effectively in providing (1) reports to Council for planning and decision making; (2) reports to other governments; (3) documents requested by taxpayers; and (4) sufficient evidence for audit.

The following records were either not complete or not provided:

**Mayor's Court Records**

- cashbook of all activity;
- complete record of citations issued or voided during the audit period;
- status on all unpaid citations or inactive cases;
- monthly Mayor's Court activity reports submitted to the Ohio Supreme Court.

**Police Department:**

- personnel files with hire and termination dates;
- leave balance reports;
- time sheets (or log sheets) to support time worked and leave taken; and
- salary schedules.

No invoices, monthly statements, work orders, or receiving slips could be provided for numerous expenditures of the Village. The lack of this support documentation could result in duplicate payments, payments for un-received goods, payments charged to incorrect funds or line items, or improper or unauthorized payments. Due to the inadequacies of the Village's accounting records we were unable to obtain sufficient documentation supporting 15.6% and 24.6% of total non-payroll disbursements for 2002 and 2001 respectively. Utility billing, collection, and deposit records were also incomplete.

The Village should adopt and implement procedures and retention policies requiring all public records be maintained and retained according to the statues outlined within the Ohio Revised Code.

**MATERIAL WEAKNESSES  
(Continued)**

**FINDING NUMBER 2002-010**

**Water Billing**

The Village failed to maintain adequate records of billing, collection and posting of water utility revenue resulting in our inability to determine the reasonableness of the account balances as reported. The Village had several weaknesses in their Utility Department which resulted in lost revenue, customer's accounts not maintained, and bills not sent on a timely basis.

The following internal control weaknesses were noted:

- The customer listing did not include all residents on the Village water lines;
- Management was unsure of which residents were connected to the Village water lines;
- Subsidiary customer ledgers were not maintained;
- Quarterly billings were not sent for 2 quarters in 2001;
- Procedures were not established for delinquent accounts;
- The Police Chief collected water payments but did not deposit them with the Clerk in a timely manner. Numerous stale checks for utility payments were discovered in the Chief's desk when the Police Department was disbanded;

To strengthen the Village's internal control process in the Utility Department, the Village should establish the following procedures and practices:

- A customer listing should be reconstructed to include all residents of the Village that are on the water system. Subsidiary ledgers should be kept for each customer listing with the amount billed and paid, and the date and method of payment.
- A reconciliation should be performed between the subsidiary ledgers and amounts posted to the accounting records.
- A reconciliation should be periodically performed to ensure cash, check, and money order totals documented on the subsidiary ledgers reconcile to the cash, check, and money order totals on the daily deposit slips.
- A policy should be established with procedures for the monitoring and collection of delinquent accounts, determination of uncollectible accounts, and adjustments to customer accounts.
- Past quarters which have not been billed should be resent to customers.

Village Council should monitor these activities to determine that established procedures are being followed. Current, accurate and complete records are necessary to insure that water utility revenue is adequate to cover costs and to insure that all monies due the Village are collected in a timely manner.

**FINDING NUMBER 2002-011**

**Monitoring of Financial Reporting**

The Village Council did not receive monthly financial reports. Accurate and complete records of financial activity, including budgetary balances are excellent tools for management and users of the financial statements to make informed decisions. Appropriation and receipt ledgers, purchase orders and cash journals are typically used to record this activity. The Village failed to properly maintain any of the aforementioned journals/ ledgers and purchase orders were not consistently utilized. Budgets cannot be effectively monitored without budgetary receipt and disbursement ledgers. Due to the lack of segregation of duties in financial reporting, receipting, depositing, payroll, budgetary and billing, Council should actively monitor all financial activities of the Village.



**MATERIAL WEAKNESSES  
(Continued)**

**FINDING NUMBER 2002-011  
(Continued)**

The lack of maintaining and monitoring a set of properly maintained financial records could result in illegal expenditures, negative fund balances and budgetary noncompliance. Through review of routine, complete and sufficient financial information; Council would be fully aware the Village's financial condition.

The Village Council should adopt and implement procedures requiring the monthly submission and review of all financial activity, including budgetary reports, in order to make sound financial decisions.

**REPORTABLE CONDITIONS**

**FINDING NUMBER 2002-012**

**Pre-Numbered Receipts**

The clerk did not write receipts for intergovernmental revenue, taxes or water billing revenue. A pre-numbered duplicate receipt should be written for all revenue received. Failure to issue such receipts could allow for money to be posted in the wrong period, incorrect fund, or for the incorrect amount. The clerk should issue a pre-numbered duplicate receipt for all revenue at the time received.

**FINDING NUMBER 2002-013**

**Formal Policies and Practices**

Formal policies and procedures are standards that insure continuity in the operation of the Village, and that intentions of Council are clearly understood, and followed in a consistent manner. The Village had no written codes of conduct or policies regarding acceptable practices, formal job descriptions, lines of communication, nor audit committee responsibilities. In addition management did not require that the clerks be adequately experienced or trained in governmental accounting policies and procedures. The lack of formal policies, along with frequent turnover in Council members, resulted in large voids in accounting and reporting.

The Village should establish formal personnel policies regarding acceptable practices, formal job descriptions, lines of communication, and required annual training.

It should be noted, however, that the Clerk began attending Village Clerk training in 2002.

**FINDING NUMBER 2002-014**

**Audit Committee**

The Village should establish an audit committee. The National Commission on Fraudulent Financial Reporting (known as the Treadway Commission), has stated that audit committees can serve as "informed, vigilant, and effective overseers of the financial reporting process and internal controls." An audit committee should perform the following functions:

**REPORTABLE CONDITIONS  
(Continued)**

**FINDING NUMBER 2002-014  
(Continued)**

- Review the annual unaudited financial report submitted to the Auditor of State;
- Periodically review the process used to prepare interim financial information submitted to the Council;
- Review audit results;
- Assure that audit recommendations are appropriately addressed;
- Serve as liaison between management and independent auditors.

Generally accepted auditing standards require that auditors communicate the following information to an audit committee:

- The auditors' professional responsibility under generally accepted auditing standards;
- Selections of accounting policies;
- Sensitive accounting estimates;
- Significant audit adjustments;
- Disagreements with management;
- Difficulties encountered in performing the audit.

The audit committee can include members of the Village Council. However, it may also include representation that is independent from elected officials or management. The committee could include professionals knowledgeable in the Village's operations and in accounting, such as attorneys or bankers. The audit committee should meet regularly (perhaps quarterly) to monitor the Village's financial reporting and control activities, and should meet with its independent auditors before and after each audit.

**VILLAGE OF LAWRENCEVILLE  
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-001	Ohio Rev Code Section 5705.41(D)- failure to certify funds	No	Repeated as finding 2002-007
2000-002	Ohio Rev Code Section 117.38 -failure to file annual reports in a timely manner.	No	2002 Annual Report filed on time; 2001 Annual Report filed late Reported in management letter
2000-003	Ohio Rev Code Section 5705.38 – failure to file annual appropriations in 1999	Yes	
2000-004	Ohio Rev Code Section 5705.10 -deficit General Fund balance	No	Repeated as finding 2002-002
2000-005	Ohio Rev Code Section 5705.28 – failure to file a tax budget	No	Repeated as finding 2002-004
2000-006	Ohio Rev Code Section 5705.34 – failure to authorize necessary tax levies	No	Repeated as finding 2002-005
2000-007	Ohio Rev Code Section 5705.41(B)	No	Repeated as finding 2002-003
2000-008	Ohio Rev Code Section 5705.36 – failure to certify available resources to the Budget Commission	No	Repeated as finding 2002-006
2000-009	Ohio Rev Code Section 149.43 – failure to maintain all records for audit	No	Repeated as material weakness 2002-009
2000-010	Failure to maintain accurate and complete records of financial activity.	No	Repeated as finding 2002-009
2000-011	Failure to perform monthly bank reconciliations	Yes	Corrected 2002
2000-012	Prenumbered receipts for all revenue received	No	Repeated as finding 2002-012
2000-013	The Record of Proceedings did not reflect all action taken by the Board	No	Partially corrected, reported in management letter
2000-014	Weakness in Water Revenue procedures	No	Repeated as finding 2002-010
2000-015	Financial Monitoring	No	Repeated as finding 2002-011





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**VILLAGE OF LAWRENCEVILLE**

**CLARK 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  
SEPTEMBER 21, 2004**