



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Addyston  
Hamilton County  
235 Main Street  
Addyston, Ohio 45001

To the Village Council:

We have audited the accompanying financial statements of the Village of Addyston, Hamilton County, Ohio, (the Village), as of and for the years ended December 31, 1997 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.

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.

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, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Addyston as of December 31, 1997 and 1998, and its unclassified 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 20, 2000 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 management and 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, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

January 20, 2000



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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Unclassified	\$748,355	\$153,673	\$902,028
Total Cash Receipts	<u>748,355</u>	<u>153,673</u>	<u>902,028</u>
<b>Cash Disbursements:</b>			
Unclassified	843,803	112,972	956,775
Total Disbursements	<u>843,803</u>	<u>112,972</u>	<u>956,775</u>
Total Receipts Over/(Under) Disbursements	<u>(95,448)</u>	<u>40,701</u>	<u>(54,747)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	7,125	12,122	19,247
Advances-In	34,000	0	34,000
Transfers-Out	(12,122)	(7,125)	(19,247)
Advances-Out	<u>          </u>	<u>(34,000)</u>	<u>(34,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>29,003</u>	<u>(29,003)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(66,445)	11,698	(54,747)
Fund Cash Balances January 1	<u>85,044</u>	<u>73,171</u>	<u>158,215</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$18,599</u></b>	<b><u>\$84,869</u></b>	<b><u>\$103,468</u></b>
Reserves for Encumbrances, December 31	<u>\$12,228</u>	<u>\$505</u>	<u>\$12,733</u>

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

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

**Operating Cash Receipts:**

Unclassified	<u>\$182,242</u>
Total Operating Cash Receipts	<u>182,242</u>

**Operating Cash Disbursements:**

Unclassified	<u>184,515</u>
Total Operating Cash Disbursements	<u>184,515</u>

Excess of Receipts Over/(Under) Disbursements (2,273)

Fund Cash Balances, January 1 121,592

**Fund Cash Balances, December 31** **\$119,319**

Reserve for Encumbrances, December 31 \$1,624

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



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Unclassified	\$889,853	\$121,017	\$1,010,870
Total Cash Receipts	<u>889,853</u>	<u>121,017</u>	<u>1,010,870</u>
<b>Cash Disbursements:</b>			
Unclassified	927,032	118,588	1,045,620
Total Disbursements	<u>927,032</u>	<u>118,588</u>	<u>1,045,620</u>
Total Receipts Over/(Under) Disbursements	<u>(37,179)</u>	<u>2,429</u>	<u>(34,750)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,179)	2,429	(34,750)
Fund Cash Balances January 1	<u>122,223</u>	<u>70,742</u>	<u>192,965</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$85,044</u></b>	<b><u>\$73,171</u></b>	<b><u>\$158,215</u></b>
Reserves for Encumbrances, December 31	<u>\$27,198</u>	<u>\$1,692</u>	<u>\$28,890</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1997**

**Operating Cash Receipts:**

Unclassified	\$211,378
Total Operating Cash Receipts	211,378

**Operating Cash Disbursements:**

Unclassified	168,449
Total Operating Cash Disbursements	168,449

Excess of Receipts Over/(Under) Disbursements	42,929
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Fund Cash Balances, January 1	78,663
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<b>Fund Cash Balances, December 31</b>	<b>\$121,592</b>
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Reserve for Encumbrances, December 31	\$371
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*The notes to the financial statements are an integral part of this statement.*

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Addyston, Hamilton County, Ohio (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, street maintenance, Fire protection, and police services.

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. Cash and Deposits**

The Village had no investments during the audit period.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash 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.

**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.

**3. 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.

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997  
(Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 1997 and 1998 budgetary activity appears in Note 3.

**F. 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.

**G. Unpaid Vacation and Sick Leave**

Full time employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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

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

	<u>1998</u>	<u>1997</u>
Demand Deposits	\$ 222,787	\$ 279,807

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1998 and 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 698,209	\$ 755,480	\$ 57,271
Special Revenue	90,943	165,795	74,852
Enterprise	190,953	182,242	(8,711)
Total	<u>\$ 980,105</u>	<u>\$ 1,103,517</u>	<u>\$ 123,412</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 768,416	\$ 868,153	\$ (99,737)
Special Revenue	164,887	120,602	44,285
Enterprise	152,253	186,139	(33,886)
Total	<u>\$ 1,085,556</u>	<u>\$ 1,174,894</u>	<u>\$ (89,338)</u>

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 659,919	\$ 889,853	\$ 229,934
Special Revenue	95,849	121,017	25,168
Enterprise	148,188	211,378	63,190
Total	<u>\$ 903,956</u>	<u>\$ 1,222,248</u>	<u>\$ 318,292</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 779,633	\$ 954,230	\$ (174,597)
Special Revenue	132,000	120,280	11,720
Enterprise	226,550	168,820	57,730
Total	<u>\$ 1,138,183</u>	<u>\$ 1,243,330</u>	<u>\$ (105,147)</u>

The Village had actual disbursements plus encumbrances in excess of appropriations in the General Fund for both fiscal years 1998 and 1997 and in the Enterprise Fund for fiscal year 1998.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**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 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.

**5. DEBT**

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan - 1993	\$23,939	3.00%
Ohio Water Development Authority Loan - 1991	\$26,772	0.00%
Total	\$50,711	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved \$1,058,227 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$1,071, and 1,457, including interest, over 15 and 20 years respectively. The scheduled payment amount below assumes that \$1,058,227 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	OWDA Loan - 1993	OWDA Loan - 1991
1999	\$ 2,915	\$ 2,142
2000	2,915	2,142
2001	2,915	2,142
2002	2,915	2,142
Subsequent	16,033	18,204
Total	\$ 27,693	\$ 26,772

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**5. DEBT (Continued)**

**Lease Commitments**

In addition to the debt described above, the Village has entered into three leases. Leases outstanding at December 31, 1998 was as follows:

Year ending December 31:	Farmer Bank	Banc One	Kubota Tractor
1999	\$ 17,917	\$ 20,000	\$ 3,766
2000	17,917	20,000	3,766
2001	17,917	20,000	3,766
2002		34,235	2,572
Subsequent		171,175	
Total	<u>\$ 53,751</u>	<u>\$ 264,805</u>	<u>\$ 13,870</u>

The Village has entered into three lease agreements with Farmer Bank, Banc One Leasing and Kobota Credit Corporation. The title of the related assets transfers to the Village at the end of the lease term.

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement 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 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members 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, 1998.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**8. YEAR 2000 ISSUE**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations as early as fiscal year 1999.

The Village has identified the following systems that relate to external entities requiring Year 2000 remediation:

- Hamilton County collects property taxes for distribution to the Village. Hamilton County is responsible for remediating the tax collection system. The County is solely responsible for any costs associated with the tax collection system project.
- The State of Ohio makes material intergovernmental payments to the Village. The State is responsible for remediating their systems.
- The Village processes transactions with PNC Bank. The bank is responsible for remediating their systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Village is or will be Year 2000 ready, that parties with whom the Village does business will be Year 2000 ready.

**9. NONCOMPLIANCE**

The Village had the following material instances of noncompliance: the official certificate of estimated resources was not amended for either 1998 or 1997 and the certificate of all sources available for expenditures was not filed for 1998; purchase orders were not used to certify the encumbrance of funds; the Village Clerk did not maintain complete and accurate records of the Village's business; the Clerk did not maintain appropriation and receipt ledgers in accordance with the prescribed system of accounting; the utility department did not deposit all receipts within one to three business days following the day of receipt; the Village disposed of or could not locate records without authorization of the Village's records commission, the Auditor of State and the Ohio Historical Society.





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OFFICE OF THE AUDITOR

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

Village of Addyston  
Hamilton County  
235 Main Street  
Addyston, Ohio 45001

To the Village Council:

We have audited the accompanying financial statements of the Village of Addyston, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated January 20, 2000. 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 is described in the accompanying schedule of findings as items 1997/1998 30431-001 to 007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 20, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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. 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 material weaknesses. 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 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. Reportable conditions are described in accompanying schedule of findings as items 1997/1998 30431-008 through 010.

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 reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1997/1998 30431-008 to be a material weakness.

In addition, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated January 20, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

January 20, 2000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 AND 1997**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1997/1998-30431-001**

**Noncompliance Citation**

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

As of December 31, 1997, total fund expenditures were found to exceed total fund appropriations by \$174,596 in the General Fund. As of December 31, 1998, total fund expenditures exceeded total fund appropriations by \$99,737 in the General Fund and \$33,886 in the Enterprise Fund.

Failure to monitor budgetary accounts and make necessary budgetary amendments could result in deficit fund balances. Therefore, we recommend the Village exercise due care in establishing and monitoring the yearly budget measures at the legal level of control so that appropriations are equal to or less than estimated revenues when adopted and throughout the year.

**FINDING NUMBER 1997/1998-30431-002**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.36 requires the fiscal officer of the village to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget. This section also allows for amending the certificate of estimated resources upon determination by the fiscal officer that revenues to be collected will be greater or less than the amount in the official certificate of estimated resources. The Village did not increase and/or decrease the official certificate of estimated resources to reflect actual revenues for both 1997 and 1998, nor did they file a certificate of all sources available for expenditures for 1998.

**FINDING NUMBER 1997/1998-30431-003**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirement:

1. Then and now certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the 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.

**SCHEDULE OF FINDINGS  
DECEMBER 1998 AND 1997  
Continued**

**FINDING NUMBER 1997/1998-30431-003 (Continued)**

2. If the amount is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village does not use purchase orders to certify the encumbrance of funds. The purchasing process should be initiated with a completed and signed purchase order prior to the ordering of goods or services, and the expenditure of money. The department supervisor(s) or other authorized personnel should complete and submit a purchase order to the Clerk for review, approval, and certification that funds are available to purchase the goods and/or service, and that the purchase is valid and for a proper public purpose. The Village should institute the use of purchase orders and establish proper procedures for processing purchase orders not only to be in compliance with the Ohio Revised Code, but to provide assurance that all expenditures are authorized and valid.

**FINDING NUMBER 1997/1998-30431-004**

**Noncompliance Citation**

Ohio Rev. Code, Section 733.28, states the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments. The Village did not maintain complete and accurate records of the Village's business.

**FINDING NUMBER 1997/1998-30431-005**

**Noncompliance Citation**

Ohio Rev. Code, Section 117.43, authorizes the Auditor of State to prescribe a uniform system of accounting for Villages. Pursuant to the Ohio Adm. Code Sections 117-5-01 through 117-5-18. The Clerk did not maintain appropriation and receipt ledgers in accordance with Ohio Adm. Code Sections 117-5-11 and 117-5-10, use purchase orders to control expenditures as required by Ohio Adm. Code Section 117-5-13, and postings to the cash journal were incomplete and inaccurate. Failure to utilize the prescribed system of accounting can result in erroneous recording of the Village's fiscal activity. The Village should implement the required system of accounting in order to enhance and improve the monitoring and tracking of fiscal activity.

**FINDING NUMBER 1997/1998-30431-006**

**Noncompliance Citation**

Ohio Rev. Code, Section 9.38, provides that any public official and/or employee who receives public moneys shall deposit said moneys with the Clerk of the Village or properly designated depository on the next business day following the day of receipt if the amount is greater than \$1,000. If the amount does not exceed \$1,000 the deposit may be made on the next business day or pursuant to an adopted policy stating an alternate time period, not to exceed three business days following the day of receipt. Our receipts testing of the utilities department disclosed that 10% of the receipts for 1997 and 12% for 1998 were not being deposited by the Clerk for up to 5 to 7 days after collection. In addition, the Village has not adopted a formal policy establishing an alternative time period for the depositing of money. The Village's failure to deposit checks when received and adopting a policy for an alternative time period not only contradicts the Ohio Rev. Code, but also increases the risk of errors going undetected or not being detected in a timely manner.

**SCHEDULE OF FINDINGS  
DECEMBER 1998 AND 1997  
Continued**

**FINDING NUMBER 1997/1998-30431-007**

**Noncompliance Citation**

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

In addition, Ohio Rev. Code, Section 149.41, states in part that when records have been approved for disposal, a copy of such records list shall be sent to the Auditor of State. If the Auditor disapproves the action by the Village's records commission in whole or in part, he shall inform the Village's records commission within a period of sixty days and these records shall not be destroyed. Before public records are otherwise disposed of, the Ohio Historical Society shall be informed and given the opportunity for a period of sixty days to select for its custody or disposal such records as it considers to be of continuing historical value.

The Village disposed of or could not locate 42% of the vouchers requested for 1997 and 28% for 1998. The Village disposed of records without authorization by the Village's records commission, the Auditor of State and the Ohio Historical Society.

**FINDING NUMBER 1997/1998-30431-008**

**Reportable Condition/Material Weakness**

Payroll

1. The personnel files reviewed for the period January 1, 1997 to December 31, 1998 were incomplete in relation to an employee's payroll. Examples of applicable documentation would be W-4 forms, authorization for voluntary deductions, and hire dates. Failure to maintain all payroll documents could result in incorrect and/or improper deductions. We recommend the Village maintain complete and current personnel files to assist in processing employees' payroll accurately.
2. Proper approvals were not documented on time cards by the designated supervisor nor were approvals obtained for supervisor time cards/sheets. The Mayor of the Village is responsible for the approval of the Clerk of Courts and all of the Department Supervisor's time sheets. Unapproved time sheets could result in misstated attendance records and potentially improper payment of time worked. It is recommended that all time cards be approved by the Supervisor or appropriate Village official and the Mayor approve all supervisors' time cards/sheets prior to submitting to the Clerk for processing to verify the records being submitted for payroll are accurate.
3. The Village does not have a procedure for the monitoring and tracking of leave time prior to being taken, nor are leave request forms completed by employees, approved by the supervisor and forwarded to the Clerk prior to the leave being taken. This practice could result in overpayment for vacation/sick days by allowing time to be taken when there is not enough vacation/sick leave time accumulated in comparison with time taken. We recommend that leave request forms be completed and submitted along with time cards to the Village Clerk at the end of each pay period for processing and filing and the Village establish a procedure for recording leave time for each employee that would show the beginning balance, time accumulated, time used and ending balance to assist in ensuring employees leave and attendance records are not misstated, and they are correctly paid.
4. There is currently no policy pertaining to the authorization of overtime for Village employees. Maintenance employees indicated on time cards that they worked overtime by working through lunch and breaks. There was no indication that they had obtained prior approval for this overtime and received

**SCHEDULE OF FINDINGS  
DECEMBER 1998 AND 1997  
Continued**

**FINDING NUMBER 1997/1998-30431-008 (Continued)**

payment for this overtime from the Village. Unauthorized overtime could result in unnecessary and/or unwarranted time being worked and charged to the Village. The Village should adopt a policy for the authorization of overtime and approval noted on the related payroll records to ensure all overtime worked is warranted.

**FINDING NUMBER 1997/1998-30431-009**

**Reportable Condition**

The Village's financial records contained numerous inaccuracies which could have been detected and corrected had the Village maintained and monitored the recording of the fiscal activity of the Village. The following are problems that were noted during the audit:

- Intergovernmental revenue and Local Tax revenue were co-mingled in 1998 and 1997. Due care should be taken in recording taxes and intergovernmental receipts so they are posted to the correct line items. Receipts posted to the cash journal should be reviewed for accuracy and proper classification for a more accurate presentation for financial data.
- Real estate tax settlements revenue received from the County Auditor were recorded at net rather than gross resulting in an understatement of both receipts and disbursements. Tax settlements should be recorded at gross and the auditor and treasurer fees recorded as an expenditure to properly reflect receipts and disbursements. Reclassifications were made to reflect receipts and disbursements in the accompanying financial statements.
- There were no monthly reconciliations of the cash journal to the bank nor were monthly reconciliations performed between the Village's records and the Utility department or between the Clerk and the Treasurer. Failure to perform prompt, monthly reconciliations could result in errors occurring and not being detected in a timely manner. The Mayor and council should review the monthly financial reports to ensure the monthly reconciliations are performed in a more timely manner. This will also enable Council to monitor the Village fiscal position, budget and make accurate financial decisions.
- Our review of the utility department receipts disclosed that customer account balances were incorrectly calculated by 13% and 5% in 1997 and 1998 respectively, due to delinquent balances not being consistently carried forward each month. Due care should be taken when calculating monthly billings to ensure that all money due the Village is recorded and billed in the proper period. Periodic reviews by someone independent of the utility department or by a member of management should be done to ensure that proper procedures are followed. Documents examined during these reviews should be initialed and dated by the reviewer.
- Local income tax receipts were recorded as charges for services in the Enterprise fund. Due care should be taken in recording receipts to ensure that Enterprise revenue is properly presented. Monthly reconciliations between the clerk and the utility department could assist in detecting and correcting posting errors in a timely manner.
- The Village inconsistently distributed certain intergovernmental and local revenues to the required funds in 1998. Attention should be taken when distributing these receipts so the amount recorded for the different funds is in accordance with the predetermined ratio.
- Mayor's court receipts were recorded in the cash journal net of the amount that is distributed to the state. Mayor's court receipts should be recorded at gross and the portion to be paid to the state recorded as an expenditure to ensure the proper classification of receipts and disbursements.

**SCHEDULE OF FINDINGS  
DECEMBER 1998 AND 1997  
Continued**

**FINDING NUMBER 1997/1998-30431-009 (Continued)**

- The Village was unable to provide complete financial records for audit. We recommend that the Village develop a filing system which would establish and maintain a record of their activity for future reference. A standard filing system will accommodate changes in elected officials.
- The Village does not maintain an outstanding check listing. When the monthly bank statements are received any outstanding checks are listed on the back of the bank statement, however during the period January 1, 1997 to December 31, 1998, approximately one third of the original bank statements could not be located and the copies from the bank did not contain the outstanding checks. An outstanding check list separate from the bank statements would assist in maintaining accurate records.

The Village should adopt and implement policies and procedure for the recording, reporting and monitoring of the Village's fiscal activity to assist in complete and accurate records that will exhibit correct statements of all moneys received and expended during the year.

**FINDING NUMBER 1997/1998-30431-010**

**Reportable Condition**

Budgetary

The Village did not make any amendments to the original budgetary documents and as noted in Findings 001 and 002. The Village experienced several budgetary violations during the audit period indicating a lack of budgetary monitoring at both year end and throughout the year.

Council should monitor budgetary activity by periodically comparing revenue estimates with actual revenues, as well as, ensuring that appropriations are within revenue projects and expenditures are within appropriations. Amendments to the budget should be made as necessary.

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**December 1998 and 1997**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1. Citation	Annual reports not filed with the Auditor of State	No	Partially corrected, not filed in 1997
2. Citation	Not maintaining receipts and disbursement ledgers or payroll ledgers	No	Not corrected
3. Citation	Budgetary violations; appropriations greater than revenues	No	Some improvement from prior years
4. Citation	Budgetary violations; expenditures greater than appropriations	No	Not corrected
5. Citation	Not using P.O.s and maintaining encumbrances	No	Not corrected
Internal Control Recommendations	Financial Records; Budgetary	No	Not corrected





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF ADDYSTON**

**HAMILTON 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 10, 2000**