



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF ADDYSTON
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Addyston
Hamilton County
235 Main Street
Addyston, OH 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 year ended December 31, 1999. 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, 1999, and its combined unclassified cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 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

June 28, 2000

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$631,157	\$153,169	\$784,326
Special Assessments	430		430
Intergovernmental Receipts	46,839	39,332	86,171
Fines, Licenses, and Permits	21,163		21,163
Unclassified	<u>\$98,017</u>	<u>\$57,307</u>	<u>155,324</u>
 Total Cash Receipts	 797,606	 249,808	 1,047,414
Cash Disbursements:			
Unclassified	<u>664,660</u>	<u>245,431</u>	<u>910,091</u>
 Total Disbursements	 <u>664,660</u>	 <u>245,431</u>	 <u>910,091</u>
 Total Receipts Over/(Under) Disbursements	 <u>132,946</u>	 <u>4,377</u>	 <u>137,323</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		50,000	50,000
Advances-In			0
Transfers-Out	(50,000)		(50,000)
Advances-Out			0
 Total Other Financing Receipts/(Disbursements)	 <u>(50,000)</u>	 <u>50,000</u>	 <u>0</u>
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 82,946	 54,377	 137,323
 Fund Cash Balances, January 1 January 1 Balance Restated, See Note 10	 <u>18,599</u>	 <u>142,545</u>	 <u>161,144</u>
 Fund Cash Balances, December 31	 <u>\$101,545</u>	 <u>\$196,922</u>	 <u>\$298,467</u>
 Reserves for Encumbrances, December 31	 <u>\$16,255</u>	 <u>\$1,686</u>	 <u>\$17,941</u>

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

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$69,486	\$	\$69,486
Total Operating Cash Receipts	69,486	0	69,486
Operating Cash Disbursements:			
Unclassified	92,207		92,207
Total Operating Cash Disbursements	92,207	0	92,207
Operating Income/(Loss)	(22,721)	0	(22,721)
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	41,183		41,183
Intergovernmental Receipts	842		842
Other Non-Operating Receipts		28,529	28,529
Total Non-Operating Cash Receipts	42,025	28,529	70,554
Non-Operating Cash Disbursements:			
Debt Service	10,356		10,356
Other Non-Operating Cash Disbursements		28,283	28,283
Total Non-Operating Cash Disbursements	10,356	28,283	38,639
Excess of Receipts Over/(Under) Disbursements	8,948	246	9,194
Fund Cash Balances, January 1	61,643		61,643
January 1 Balance Restated, See Note 10			
Fund Cash Balances, December 31	<u>\$70,591</u>	<u>\$246</u>	<u>\$70,837</u>

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

**VILLAGE OF ADDYSTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

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, 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 present unclassified amounts which is a departure from the financial statement presentation prescribed by the Auditor of State in the Ohio Administrative Code Chapter 117-5.

C. Cash and Deposits

Village funds are pooled in a checking account with a local commercial bank.

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. 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.

Fire District - This fund receives tax revenue for the operation of the Village fire department.

Sewer Fund - This fund receives tax revenue and a portion of charges for water service from residents to cover the cost of providing this utility.

VILLAGE OF ADDYSTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

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

4. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund - This fund is used to account for the collection and distribution of court fines and forfeitures.

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. However, adjustments have been made to the financial statements to record those outstanding commitments at year end.

A summary of 1999 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.

**VILLAGE OF ADDYSTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Full time employees are entitled to cash payments for unused vacation 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>1999</u>
Demand Deposits	<u>\$369,304</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 775,638	\$ 797,606	\$ 21,968
Special Revenue	309,266	297,808	(11,458)
Enterprise	164,729	111,511	(53,218)
Total	\$ 1,249,633	\$ 1,206,925	\$ (42,708)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 733,483	\$ 738,235	\$ (4,752)
Special Revenue	281,715	247,117	34,598
Enterprise	84,958	102,563	(17,605)
Total	\$ 1,100,156	\$ 1,087,915	\$ 12,241

The Village had Actual disbursements plus encumbrances in excess of appropriations in the General Fund and in the Enterprise Fund, and appropriations exceeded estimated resources in the Special Revenue Fund for fiscal year 1999.

**VILLAGE OF ADDYSTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(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, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan - 1993	\$21,726	3.00%
Ohio Water Development Authority Loan - 1991	\$24,630	0.00%
Ohio Water Development Authority Loan - 1999	\$100,700	0.00%
Total	\$ 147,056	

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 \$1,457, 1,071 and 2,650 including interest, over 15, 20 and 20 years respectively. 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	OWDA Loan -1999
2000	\$ 2,915	\$ 2,142	\$ 5,300
2001	2,915	2,142	5,300
2002	2,915	2,142	5,300
2003	2,915	2,142	5,300
Subsequent	13,115	16,062	79,500
Total	\$ 24,775	\$ 24,630	\$ 100,700

**VILLAGE OF ADDYSTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(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, 1999 were as follows:

Year ending December 31:	Farmer Bank Ambulance	Banc One Fire Truck	Kubota Tractor
2000	\$ 17,917	\$ 20,000	\$ 3,766
2001	17,917	20,000	3,766
2002		34,235	2,511
2003		34,235	
Subsequent		136,940	
Total	<u>\$ 35,834</u>	<u>\$ 245,410</u>	<u>\$ 10,043</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 1999, 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, 1999.

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

VILLAGE OF ADDYSTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

7. RISK MANAGEMENT (Continued)

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

8. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

9. NONCOMPLIANCE

The Village had the following material instances of noncompliance: a) the official certificate of estimated resources was not amended for the Enterprise fund in 1999 and the certificate of all sources available for expenditures was not filed for 1999; b) disbursements exceeded appropriations in the General and Enterprise funds; c) appropriations exceeded estimated resources in the Special Revenue fund; d) purchase orders were not used to certify the encumbrance of funds; e) the Village Clerk did not maintain accurate records of the Village's business; f) The Village did not monitor the utility department's budget or approve their expenditures; g) 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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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Addyston
Hamilton County
235 Main Street
Addyston, OH 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 year ended December 31, 1999, and have issued our report thereon dated June 28, 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 1999-30431-001 to 010. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 28, 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 1999-30431-011 through 014.

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, we do not consider the reportable conditions described above to be a material weaknesses.

Village of Addyston
Hamilton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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 June 28, 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 28, 2000

**VILLAGE OF ADDYSTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30431-001

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, 1999, total fund expenditures were found to exceed total fund appropriations by \$17,605 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 more than expenditures when adopted and throughout the year.

FINDING NUMBER 1999-30431-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, requires that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditures.

As of December 31, 1999, appropriations exceeded estimated revenues in the Special Revenue Fund's Permissive Tax Fund and SYETP Fund by \$50,000 and \$6,853 respectively.

The Village should 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 1999-30431-003

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 the Enterprise Fund for 1999, nor did they file a certificate of all sources available for expenditures for 1999.

**VILLAGE OF ADDYSTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999
(Continued)**

FINDING NUMBER 1999-30431-004 (Continued)

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 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.
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, contrary to Ohio Administrative Code Section 117-5-11(C). Also, Ohio Adm. Code, Section 117-2-13 states, "Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriation balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order." 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 1999-30431-005

Noncompliance Citation

Ohio Rev. Code, Section 5705.14, states that transfers can only be made by resolution of the taxing authority passed with the affirmative vote of two thirds of the members, declaring the necessity for the transfer of funds authorized. A Transfer of \$50,000 from the General Fund to the Street Construction, Maintenance Fund was made in fiscal year 1999 without the approval of Council. On June 20, 2000 Council retroactively passed a resolution authorizing this transfer.

**VILLAGE OF ADDYSTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999
(Continued)**

FINDING NUMBER 1999-30431-006

Noncompliance Citation

Ohio Rev. Code, Section 743.06, states that money collected for water-works purposes will be deposited weekly with the Treasurer of a municipality, and kept as a separate and distinct fund. When appropriated by the legislative authority of the municipality, such money will be available for the director of public service to draw. Ohio Rev. Code, Section 735.29, states that a board of public affairs shall manage water works and similar public utilities and make bylaws and regulations deemed necessary for the safe, economical, and efficient management and protection of such utilities as long as they are not in disagreement with municipal ordinances or with the constitution or laws of the state.

In May 1999, the Village separated the water/utility department from the Village and ceased to record money collected/deposited by the utility department, approve and issue checks for the utility department's expenditures, and monitor or amend the budget for the utility department. All receipts and disbursements for the utility department were recorded and processed through their bank account which is separate from the Village. While the utility department may collect money for services provided and deposit at the bank, they are required to report these moneys with the Village Treasurer weekly. The Utility Department Clerk cannot however, disburse funds, only the Village Clerk, the fiscal officer of the Village, has the authority to write checks for the Village. The Village should dissolve the current bank account held by the utility department so that only the Clerk is issuing checks on behalf of the Village.

FINDING NUMBER 1999-30431-007

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 nor could they provide all financial records requested for audit.

In May 1999, the Village separated the water/utility department from the Village and ceased to record its fiscal activity in the Village's records, deposit money collected by the utility department, approve expenditures for the utility department, and monitor or amend the budget for the utility department. All receipts and disbursements for the utility department were recorded and processed through a utility department bank account which is separate from the Village.

The Village should adopt and implement policies and procedure for the recording, reporting, and monitoring of all fiscal activity of the Village to assist in complete and accurate records that will exhibit correct statements of all moneys received and expended during the year and to detect errors in a more timely manner. The development of a filing system which would establish and maintain a record of the Village's activity for future reference would also assist in providing complete records. A standard filing system will also accommodate changes in elected officials.

In addition, the Village should enact the necessary measures for the Clerk and Treasurer to resume responsibility for the water/utility department fiscal activity with that of the Village and to include the monitoring and approval for the water/utility department budget and expenditures with council's management responsibilities. The accompanying financial statements have been adjusted to include all water and sewer department receipts, disbursements and cash balances for 1999.

**VILLAGE OF ADDYSTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999
(Continued)**

FINDING NUMBER 1999-30431-008

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 following are problems that were noted during the audit:

- The Clerk did not use purchase orders to control expenditures as required by Ohio Adm. Code, Section 117-5-13.
- Postings to the cash journal by the Treasurer were incomplete and inaccurate with no month to date or year to date totals for each fund.
- Intergovernmental revenue and Local Tax revenue were co-mingled in 1999. 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.
- 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 1999. Instances were noted when income tax receipts were not properly allocated and real estate tax revenue was posted to the General Fund rather than allocated to the Fire, Water and Sewer funds as indicated on the tax settlement sheets. Attention should be taken when distributing these receipts so the amount recorded for the different funds is in accordance with the predetermined ratio.

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. The accompanying financial statements have been adjusted to reflect the proper fund balances for 1999.

FINDING NUMBER 1999-30431-009

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.

**VILLAGE OF ADDYSTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999
(Continued)**

FINDING NUMBER 1999-30431-009 (Continued)

In addition, Ohio Rev. Code, Section 149.39, 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 12% of the vouchers requested and 3% of the invoices for 1999, however, alternative auditing procedures were used to address this issue. The Village disposed of records without authorization by the Village's records commission, the Auditor of State and the Ohio Historical Society.

FINDING NUMBER 1999-30431-010

Noncompliance Citation

Village Ordinance 1994-12 requires the use of approved leave request forms for vacation leave. Leave request forms are not being completed by employees, approved by the supervisor and forwarded to the Clerk prior to the leave being taken. In addition, the Village does not monitor and track accumulated leave balances. 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. The Village should record 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.

FINDING NUMBER 1999-30431-011

Reportable Condition

Payroll

1. The personnel files reviewed for the period January 1, 1999 to December 31, 1999 did not include all necessary documents. Examples of documentation which were not included but should be, are: W-4 forms, authorization for voluntary deductions, and hire dates. Failure to maintain all payroll documents could result in incorrect and/or improper payroll 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.

**VILLAGE OF ADDYSTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999
(Continued)**

FINDING NUMBER 1999-30431-011 (Continued)

3. 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 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.
4. Instances were noted when full time employees were overpaid. The Clerk should review all payroll transactions for accuracy and unusual payments to ensure that any discrepancies are detected and corrected in a timely manner. The employees notified the Clerk and actions were taken to correct the overpayments, however, had the Clerk reviewed the transactions prior to remitting the pay checks, these discrepancies could have been corrected before the checks were issued.

FINDING NUMBER 1999-30431-012

Reportable Condition

Monthly Reconciliations

While monthly reconciliations were performed by an outside accounting firm between the Clerk's ledgers and the bank, there were no monthly reconciliations of the cash journal, which the Treasurer is required to maintain, to the bank nor were monthly reconciliations performed between the Village's records and the Utility department or between the Clerk and the Treasurer. In addition, the monthly reconciliations that were completed did not include all accounts of the Village (the street maintenance, water/utility and mayor's court accounts were not included) nor was there any indication that the reconciled amounts agreed with the ending fund balances for each month. Failure to perform prompt and complete, monthly reconciliations could result in errors occurring and not being detected in a timely manner. The Mayor and Council should require and review the monthly financial reports to ensure the monthly reconciliations are performed in a more timely manner and agree with the ending fund balances. This will also enable Council to monitor the Village fiscal position, budget and make accurate financial decisions.

FINDING NUMBER 1999-30431-013

Reportable Condition

Expenditure Approvals/Council Minutes

A review of the Village's expenditures and minutes indicated that Council did not approve 19% of the expenditures reviewed for the current fiscal year.

The minutes represent the official actions of Council and should contain all details to provide sufficient understanding of the proceedings of Council. The lack of proper notation that all expenditures have been reviewed and approved could allow for misinterpretations and incomplete recordings of Council's actions.

We recommend that Council approve all expenditures of the Village. This would demonstrate oversight and awareness of the Village's monthly expenditures and potential deficit fund balances.

**VILLAGE OF ADDYSTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999
(Continued)**

FINDING NUMBER 1999-30431-014

Reportable Condition

Budgetary

The Village did not make any amendments to the original budgetary documents until year end and as noted in Findings 001, 002 and 003, 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.



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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
AUGUST 8, 2000**