



**VILLAGE OF MAINEVILLE
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MAINEVILLE
WARREN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Maineville
Warren County
8188 State Route 48
Maineville, Ohio 45039

To the Village Council:

We have audited the accompanying financial statements of the Village of Maineville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2000 and 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.

Except as discussed in the following paragraph, 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. 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.

The Village did not provide sufficient documentation supporting the receipts recorded as donations and non-operating receipts and disbursements recorded as miscellaneous and other miscellaneous disbursements in the Agency Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts and disbursements recorded for the Agency Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The donations and non-operating receipts represent 100% of receipts and the miscellaneous and non-operating disbursements represent 100% of disbursements recorded in the Agency Fund.

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

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amount recorded as donations and non-operating receipts and miscellaneous and non-operating disbursements in the Agency Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 Maineville
Warren County
Independent Accountants' Report
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This report is intended solely for the information and use of the management, Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 18, 2001

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
Cash Receipts:				
Local Taxes	\$44,293	\$19,869	\$0	\$64,162
Intergovernmental Receipts	23,864	84,590	0	108,454
Contributions and Donations	0	0	25	25
Fines, Licenses and Permits	5,180	6,394	0	11,574
Interest	363	1,760	0	2,123
Miscellaneous	3,574	53,442	0	57,016
	<u>77,274</u>	<u>166,055</u>	<u>25</u>	<u>243,354</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	0	35,271	0	35,271
Public Health Services	61	0	0	61
Community Environment	3,981	0	0	3,981
Transportation	0	59,451	0	59,451
General Government	53,864	0	0	53,864
Miscellaneous	0	0	200	200
Debt Service:				
Principal Payments	3,623	945	0	4,568
Interest Payments	1,693	0	0	1,693
	<u>63,222</u>	<u>95,667</u>	<u>200</u>	<u>159,089</u>
Total Disbursements				
Total Receipts Over/(Under) Disbursements	<u>14,052</u>	<u>70,388</u>	<u>(175)</u>	<u>84,265</u>
Other Financing Receipts/(Disbursements):				
Miscellaneous	0	0	(1,436)	(1,436)
Transfers-In	0	5,000	0	5,000
Advances-In	11,000	11,000	0	22,000
Transfers-Out	(5,000)	0	0	(5,000)
Advances-Out	(11,000)	(11,000)	0	(22,000)
	<u>(5,000)</u>	<u>5,000</u>	<u>(1,436)</u>	<u>(1,436)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,052	75,388	(1,611)	82,829
Fund Cash Balances January 1	<u>899</u>	<u>41,184</u>	<u>2,619</u>	<u>44,702</u>
Fund Cash Balances, December 31	<u>\$9,951</u>	<u>\$116,572</u>	<u>\$1,008</u>	<u>\$127,531</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**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>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$40,496	\$16,786	\$0	\$57,282
Intergovernmental Receipts	32,195	69,220	0	101,415
Contributions and Donations	0	0	698	698
Fines, Licenses, and Permits	4,059	23,165	0	27,224
Earnings on Investments	2,117	884	0	3,001
Miscellaneous	1,083	500	0	1,583
Total Cash Receipts	<u>79,950</u>	<u>110,555</u>	<u>698</u>	<u>191,203</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	37	53,548	0	53,585
Public Health Services	4,177	0	0	4,177
Leisure Time Activities	96	0	0	96
Community Environment	4,253	0	0	4,253
Transportation	322	148,717	0	149,039
Miscellaneous	0	500	170	670
General Government	54,219	0	0	54,219
Debt Service:				
Principal Payments	3,634	1,024	0	4,658
Interest Payments	1,603	0	0	1,603
Total Disbursements	<u>68,341</u>	<u>203,789</u>	<u>170</u>	<u>272,300</u>
Total Receipts Over/(Under) Disbursements	<u>11,609</u>	<u>(93,234)</u>	<u>528</u>	<u>(81,097)</u>
Other Financing Receipts/(Disbursements):				
Other Non-Operating Receipts	0	0	2,091	2,091
Transfers-In	0	23,440	0	23,440
Transfers-Out	(23,440)	0	0	(23,440)
Total Other Financing Receipts/(Disbursements)	<u>(23,440)</u>	<u>23,440</u>	<u>2,091</u>	<u>2,091</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,831)	(69,794)	2,619	(79,006)
Fund Cash Balances January 1	<u>12,730</u>	<u>110,978</u>	<u>0</u>	<u>123,708</u>
Fund Cash Balances, December 31	<u>\$899</u>	<u>\$41,184</u>	<u>\$2,619</u>	<u>\$44,702</u>
Reserves for Encumbrances, December 31	<u>\$554</u>	<u>\$0</u>	<u>\$0</u>	<u>\$554</u>

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Maineville, Warren 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. The Village contracts with the Hamilton Township Police Department to provide 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. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund 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 Funds

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

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

Police Levy Fund - This fund receives tax money for Village law enforcement and security.

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund (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 Funds:

Mayor's Court - This fund accounts for activity in the Mayor's Court which was suspended in 1999.

Historical Society Fund - This fund is used to account for donations for the Maineville Historical Society.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function 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. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments required by Ohio law. However, there were no material encumbrances outstanding at December 31, 2000 and 1999.

A summary of 2000 and 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.

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.

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 119,199	\$ 36,730
Certificates of deposit	<u>8,332</u>	<u>7,972</u>
 Total deposits	 <u>\$ 127,531</u>	 <u>\$ 44,702</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 81,000	\$ 83,668	\$ 2,668
Special Revenue	<u>176,200</u>	<u>171,055</u>	<u>(5,145)</u>
 Total	 <u>\$ 257,200</u>	 <u>\$ 254,723</u>	 <u>\$ (2,477)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 66,986	\$ 74,616	\$ (7,630)
Special Revenue	<u>103,855</u>	<u>95,667</u>	<u>8,188</u>
 Total	 <u>\$ 170,841</u>	 <u>\$ 170,283</u>	 <u>\$ 558</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 75,173	\$ 103,115	\$ 27,942
Special Revenue	<u>69,500</u>	<u>133,995</u>	<u>64,495</u>
 Total	 <u>\$ 144,673</u>	 <u>\$ 237,110</u>	 <u>\$ 92,437</u>

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 91,147	\$ 116,669	\$ (25,522)
Special Revenue	132,079	206,168	(74,089)
Total	\$ 223,226	\$ 322,837	\$ (99,611)

Contrary to Ohio Law, the Village did not properly encumber all of its expenditures as required by the Ohio Revised Code.

Contrary to Ohio law, at year-end 1999, expenditures exceeded appropriations in the General Fund by \$25,522, Street Construction, Maintenance and Repair Fund by \$70,384, Police Levy Fund by \$14,865 and Mayor's Court Wedding Fund by \$500. During 2000, expenditures exceeded appropriations in the General Fund by \$7,630 and Police Levy Fund by \$1,271.

The Village did not pass appropriation measures until substantially later than required by Ohio Revised Code Section 5705.38.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

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, 2000 was as follows:

	Principal	Interest Rate
Municipal Building Note	\$ 78,087	5.60%

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

The Municipal Building Note proceeds were used for the purchase of real property to house municipal operations. The note will be repaid in annual installments of \$6,261.04, including interest, over 30 years. The note is uncollateralized.

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Municipal Building Note</u>
2001	\$ 6,261
2002	6,261
2003	6,261
2004	6,261
2005	6,261
Subsequent	<u>112,699</u>
Total	<u>\$ 144,004</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers 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 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 2000 and 1999, members of PFDPF contributed 10% of their wages. 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 10.84% and 13.55% of participants' gross salaries for the years 2000 and 1999, respectively. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

9. NONCOMPLIANCE

The Council minutes were not properly maintained as required in Ohio Revised Code, Sections 121.22, 149.43, and 733.27(A).

The Village did not properly post receipts as required by Ohio Revised Code, Section 5705.10.

The Mayor's Court had not been paying in collection by the first Monday of each month during the audit period as required by Ohio Revised Code, Section 733.40.

The Village did not keep records in accordance with Ohio Revised Code, Section 149.351.

The Village did not follow the guidelines established in Ohio Administrative Code, Sections 117-5-04, 117-5-06, 117-5-07, 117-5-08 and 117-5-13.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of Maineville
Warren County
8188 State Route 48
Maineville, Ohio 45039

To the Village Council:

We have audited the accompanying financial statements of the Village of Maineville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated September 18, 2001 which was qualified for lack of supporting documentation for the receipts and disbursements recorded in the Agency Funds. Except for the restrictions on the scope of our audit of the Agency Funds' receipts and disbursements, we conducted our audits 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 2000-30483-001 through 2000-30483-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 effect 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 2000-30483-09 through 2000-30483-011.

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. We believe all of the reportable conditions described above are 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 September 18, 2001.

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

Jim Petro
Auditor of State

September 18, 2001

**VILLAGE OF MAINEVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30483-001

Material Noncompliance

Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The Village did not properly record Local Government monies, Homestead/Rollback monies, Motor Vehicle License Tax monies, Gas Tax receipts, and Fines, Licenses and Permits in the various funds. In addition, for 1999, the entire building note payment was paid from the Street Fund. Council passed a resolution stipulating that twenty-two percent of the interest expense should be paid from the Street Fund and the balance of the payment is to be paid from the General Fund. As a result, the fund balance in the Street Fund was understated and the fund balance in the General Fund was overstated. The following table outlines the adjustments made to the financial statements.

DESCRIPTION	ADJUSTMENT MADE	
Local Government was posted to the Street Fund instead of the General Fund.	Street Fund Intergovernmental (702.55)	General Fund Intergovernmental 702.55
Motor Vehicle License Fee was posted to Other Licenses in the General Fund instead of Intergovernmental in the Street Fund.	General Fund Other Licenses (927.87)	Street Fund Intergovernmental 927.87
Homestead/Rollback was posted in its entirety to Tax in the General Fund instead of Intergovernmental. A portion of this receipt should have been posted to the Police Fund.	General Fund Taxes (\$2,164.29)	Police Fund Intergovernmental \$2,164.29
Gas Tax was posted in its entirety to the Street Fund instead of the State Highway Fund.	Street Fund Taxes (\$182.47)	State Highway Intergovernmental \$182.47
Debt Payment was paid completely out of the Street Fund. Only 22% of the interest due on the note (\$1,024) was to be paid from the Street Fund. The balance of \$5,237.04 was to be paid from the General Fund.	General Fund Debt Payment (\$5,237.04)	Street Fund Transportation \$5,237.04

In accordance with the foregoing facts, Finding for Adjustments are hereby issued against the General Fund in the amount of \$7,626.65 and in favor of the Street Fund in the amount of \$5,279.89, the State Highway Fund in the amount of \$182.47, and the Police Levy Fund in the amount of \$2,164.29, respectively. Fund balance adjustments were made to the Village ledgers in September, 2001 and have been reflected in the accompanying financial statements. In addition, transaction line items were adjusted to properly reflect the receipt of Fines, Licenses and Permits into the General Fund from the Police Levy Fund and a subsequent transfer from the General Fund to the Police Levy Fund.

FINDING NUMBER 2000-30483-002

Material Noncompliance

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

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

1. Then and Now Certificate - 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 certification, appropriated and free of any previous encumbrances, the 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 involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without the affirmation of the Council, if such expenditure is otherwise valid.

Ninety-four percent of the expenditures tested were executed without first obtaining the fiscal officer's certification and they did not meet the exceptions provided for in the Code. None of the purchase orders issued during the audit period were signed. The Village was cited for noncompliance in the prior year audit report.

FINDING NUMBER 2000-30483-003

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), requires that a subdivision may not make an expenditure unless it has been properly appropriated. During 1999, expenditures of \$116,669 in the General Fund exceeded appropriations of \$91,147 by \$25,522; expenditures of \$149,433 in the Street Construction, Maintenance and Repair Fund exceeded appropriations of \$79,049 by \$70,384; expenditures of \$54,395 in the Police Levy Fund exceeded appropriations of \$39,530 by \$14,865; and, expenditures of \$500 in the Mayor's Court Wedding Fund exceeded appropriations of \$0 by \$500. During 2000, expenditures of \$74,616 in the General Fund exceeded appropriations of \$66,986 by \$7,630 and expenditures of \$35,271 in the Police Levy Fund exceeded appropriations of \$34,000 by \$1,271. Failure to limit expenditures to the amount appropriated results in unauthorized expenditure commitments and possibly deficit spending.

FINDING NUMBER 2000-30483-004

Material Noncompliance

The Village's fiscal officers did not maintain an accurate receipt ledger or appropriation ledger.

Ohio Rev. Code, Section 733.28, requires the Clerk to keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and the income derived.

FINDING NUMBER 2000-30483-004
(Continued)

Prior to July 1, 2000, **Ohio Rev. Code, Section 117.43**, authorized the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State had prescribed a uniform accounting system for Villages which is set forth in **Ohio Admin. Code, Chapter 117-5**, as follows;

- Sections 117-5-04 and 07 establish guidelines for the proper coding and classification of Village receipts. The Village did not always properly code and classify receipts prior to July 2000. However, the financial statements have been adjusted to code and classify receipts in accordance with these sections.
- Sections 117-5-0,06, and 08 establish guidelines for the proper coding and classification of Village disbursements. The Village did not always properly code and classify disbursements prior to July 2000. However, the financial statements have been adjusted to code and classify receipts in accordance with these sections.
- Section 117-5-13 provides that each Village use purchase orders, as prescribed, for all expenditures. The Village did not properly use purchase orders for all expenditures until July 2000.

We recommend the Village accurately maintain receipt and appropriation ledgers, as prescribed by the Ohio Admin. Code. Failure to use these ledgers to monitor activity could result in budgetary law violations. Budgetary variances should be monitored through the year, and amended certificates and appropriation modifications should be obtained when necessary.

FINDING NUMBER 2000-30483-005

Material Noncompliance

Ohio Rev. Code, Section 5705.38, requires the taxing authority to pass an appropriation measure on or about the first day of each fiscal year. The Village did not pass appropriation measures until August 1, 2000.

FINDING NUMBER 2000-30483-006

Material Noncompliance

Ohio Rev. Code, Section 733.40, requires all monies collected by the Mayor shall be paid into the municipal treasury on the first Monday of each month. At the first regular meeting of the legislative authority each month, the Mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury. Payments were not paid into the Village by the first Monday of each month and the Mayor did not submit the required statements to the Council each month.

The Village was cited for noncompliance in the prior year audit report.

FINDING NUMBER 2000-30483-007

Material Noncompliance

Ohio Rev. Code, Sections 121.22, 149.43, and 733.27(A), states that Council, its members, Clerk, and Mayor who presided over Council meetings have a duty to prepare, file, and maintain full and accurate minutes for Council meetings, and to make them available for public inspection. Full and accurate minutes of a public body's meetings, under Sunshine Law and Public Records Act, must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant public body's decisions. The Village did not maintain documentation of the items discussed for many of the monthly meetings. Another requirement is that the Clerk should take minutes of each meeting, which should be approved by vote of the Council members at the next meeting after opportunity is given to correct any errors in the minutes. Once approval is voted by the Council, the minutes should be authenticated by the Council President and the Clerk. Minute records were not authenticated until the minute records started in July 2000.

FINDING NUMBER 2000-30483-008

Material Noncompliance

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, Sections 149.38 to 149.42.

Approved salary documentation and personnel exemption information was not maintained. We were unable to recalculate gross pay amounts for employees because the Village did not maintain a record of payroll deductions for the employees. Documentation of remittances was not maintained other than the expenditure ledger, cancelled checks and federal transmittal forms. Supporting documentation was not maintained in employee personnel files. Employee W-2 forms could not be provided. The Village could not provide all minutes, ordinances, or resolutions for the audit period in written form. The Village also could not provide all of the required budgetary documentation. Budgetary documents had to be obtained from the County Auditor.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 2000-30483-009

Material Weakness

The Court had very few, if any, internal controls, record keeping was inaccurate and inconsistent, and there appeared to be little progress on the part on either the Council or management's part to develop appropriate administrative functions. This causes significant concern that errors or irregularities may occur which may not be discovered in a reasonable time and may create an environment which promotes future fraud.

To improve accountability over Mayor's Court revenues and reduce the chance of errors or irregularities occurring and not being detected, the Village should implement the following procedures which should improve control over the Mayor's Court functions:

- Reconciliations should be performed each month. This reconciliations should be reviewed and initialed by the Mayor.

FINDING NUMBER 2000-30483-009
(Continued)

- An open items list should be maintained. An open items list would support the Mayor's Court ending balances and would facilitate the Court's monthly bank reconciliations.
- An outstanding check list should be maintained. Outstanding check lists are necessary to reconcile the Court's bank account monthly.
- The docket should always be completed and signed by the Mayor indicating his review.
- The cashbook should always be footed and indicate monthly totals. The disbursements to the Village and State are based upon the footing of the cashbook. A lack of footing in the Mayor's Court cashbook resulted in the inability to give accurate distributions to the Village and State. Any funds remaining in the Court account should be reviewed to determine proper distribution.
- The cashbook should also be completed for all monies received by the Mayor's Court.
- White-out should not be used in the cashbook. This could create the appearance of falsifying records.
- The information listed on the duplicate receipts, in the docket and in the cashbook should always agree.
- When monies are received, receipts should be filled out completely and accurately in ink to provide documentation of receipts.
- Deposits should be made within 24 hours of receipt.
- A statement of receipts for the Mayor's Court should be prepared and turned in to Council each month.
- Payments to the Village and State should be remitted in a timely fashion.
- Fines assessed should agree to the fine amount per the Village Ordinance.
- The records of the Mayor's Court should allow for determination of issuance, voidance, or collection of fines in the Mayor's Court account. Several tickets and payments could not be accounted for in the Village's records.
- Checks from the old Mayor's Court bank account should be destroyed to ensure that checks are not mistakenly used.

FINDING NUMBER 2000-30483-010

Material Weakness

The small size of the Village staff does not allow for an adequate segregation of duties. The Clerk processes all the financial record keeping including receipting, posting and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that the Council monitor financial activity. The following conditions indicate a need for increased oversight of management:

FINDING NUMBER 2000-30483-010
(Continued)

- Monthly reconciliations of all Village accounts were not performed or documentation of reconciliation not maintained.
- Supporting documentation for receipts and expenditures was not maintained.
- Financial reports were not always presented to the Council

To maintain continuing accountability and to help strengthen internal accounting controls, officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer. For each regular Council meeting, the Clerk should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

FINDING NUMBER 2000-30483-011

Material Weakness

The Village did not follow proper budgetary procedures to control the Village's finances, within the confines of the Ohio Revised Code.

- The Village did not certify to the County Auditor the total amount from all sources available for expenditures for the preceding year until November 2000. This is to be certified on or about the first day of the fiscal year.
- The Village did not pass an ordinance to authorize the necessary tax levies. This is to be certified to the County Auditor before October 1 of each year.
- Documentation of appropriations per system generated reports did not agree to the appropriation documentation certified by the County Auditor.
- The Village did not use purchase orders. Purchase orders are used to ensure that the funds are available and not already "set aside" to be spent and aids in helping to prevent negative fund balances. Purchase orders should be completed before an expenditure is made.
- Blanket purchase orders were used for all disbursements. The Clerk entered dates into the system which were not the true date of processing based on invoice dates.
- Transfers and advances were not approved by the Council. All transfers and advances should be approved by the Council and noted in the minute records before transfers and advances can be completed.
- The Village did not always post its official certified budgetary documents to the financial records. We recommend that these documents be posted to the books in a timely manner. This would help the Village monitor its budgetary activity.

FINDING NUMBER 2000-30483-011
(Continued)

We recommend the Village prepare and file all budgetary documents required by the Ohio Revised Code in a timely manner. The budgeted receipts and appropriations from these documents should be accurately recorded in the respective ledgers as prescribed in the Ohio Administrative Code. On a monthly basis, detailed budget and actual financial statements should be presented to Council for review. Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of the financial information.



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VILLAGE OF MAINEVILLE

WARREN 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
OCTOBER 9, 2001**