



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

---

**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Lawrenceville, Clark County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Because of inadequacies in the Village accounting records, we were unable to obtain sufficient documentation supporting the activity of the General Fund water utility receipts recorded in the charges for services account. Without this evidential matter, we were not able to audit the water utility receipts records in the general fund or to satisfy ourselves regarding the validity of the receipts through other auditing procedures. These receipts represent \$13,525 and \$16,159 for 1998 and 1997, respectively.

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

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain adequate documentation supporting the charges for services in the general fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1998 and 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As stated in Note 10, the Village was placed in Fiscal Watch by the Auditor of State on December 29, 1999 in accordance with Ohio law.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 1999 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.

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

**Jim Petro**  
Auditor of State

November 4, 1999, except as to the information presented in Note 10, for which the date is December 30, 1999.

**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>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$13,569	\$2,147	\$15,716
Intergovernmental Receipts	5,435	43,900	49,335
Charges for Services	13,525	0	13,525
Fines, Licenses, and Permits	27,647	0	27,647
Miscellaneous	2,687	192	2,879
	<u>62,863</u>	<u>46,239</u>	<u>109,102</u>
<b>Total Cash Receipts</b>			
	<u>62,863</u>	<u>46,239</u>	<u>109,102</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	23,220	43,620	66,840
Public Health Services	0	2,147	2,147
Basic Utility Services	11,829	0	11,829
Transportation	0	6,628	6,628
General Government	36,780	0	36,780
	<u>71,829</u>	<u>52,395</u>	<u>124,224</u>
<b>Total Disbursements</b>			
	<u>71,829</u>	<u>52,395</u>	<u>124,224</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(8,966)</u>	<u>(6,156)</u>	<u>(15,122)</u>
<b>Fund Cash Balances January 1</b>	<u>(1,840)</u>	<u>21,871</u>	<u>20,031</u>
<b>Fund Cash Balances, December 31</b>	<u>(\$10,806)</u>	<u>\$15,715</u>	<u>\$4,909</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  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Agency</u>
<b>Operating Cash Receipts:</b>	
Miscellaneous	\$35,401
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>35,824</u>
Operating Income/(Loss)	(423)
Fund Cash Balances, January 1	<u>1,180</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$757</u></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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$5,872	\$0	\$5,872
Intergovernmental Receipts	11,278	38,929	50,207
Charges for Services	16,159	0	16,159
Fines, Licenses, and Permits	30,013	0	30,013
Miscellaneous	4,308	1,699	6,007
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	67,630	40,628	108,258
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	25,512	44,227	69,739
Public Health Services	0	1,449	1,449
Basic Utility Services	7,590	0	7,590
Transportation	0	34,895	34,895
General Government	38,221	0	38,221
	<hr/>	<hr/>	<hr/>
Total Disbursements	71,323	80,571	151,894
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(3,693)	(39,943)	(43,636)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances January 1	1,853	61,814	63,667
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>(\$1,840)</u>	<u>\$21,871</u>	<u>\$20,031</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 BALANCE  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Miscellaneous	\$41,528
<b>Operating Cash Disbursements:</b>	
Contractual Services	41,783
Operating Income/(Loss)	(255)
Fund Cash Balances, January 1	1,435
<b>Fund Cash Balances, December 31</b>	<b>\$1,180</b>

*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 Lawrenceville, Clark County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water 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. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

Street Construction Maintenance and Repair Fund, Motor Vehicle License Fund, and State Highway Fund - These funds receive gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

COPS Fast Fund - This fund receives federal money to help pay operating expenses of the Village police department.

**3. Agency Fund**

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

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

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

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

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

**E. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH**

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

	<u>1998</u>	<u>1997</u>
Demand deposits	\$ 5,666	\$ 21,211

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 61,901	\$ 62,863	\$ 962
Special Revenue	10,560	46,239	35,679
Total	<u>\$ 72,461</u>	<u>\$ 109,102</u>	<u>\$ 36,641</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 74,720	\$ 71,829	\$ 2,891
Special Revenue	0	52,395	(52,395)
Total	<u>\$ 74,720</u>	<u>\$ 124,224</u>	<u>\$ (49,504)</u>

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 52,787	\$ 67,630	\$ 14,843
Special Revenue	6,276	40,628	34,352
Total	<u>\$ 59,063</u>	<u>\$ 108,258</u>	<u>\$ 49,195</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 71,323	\$ (71,323)
Special Revenue	0	80,571	(80,571)
Total	<u>\$ 0</u>	<u>\$ 151,894</u>	<u>\$ (151,894)</u>

Ohio Rev. Code Section 5705.38 requires the taxing authority to adopt appropriations on or about the first day of each fiscal year. Village council failed to adopt appropriations for all funds in 1997, and adopted appropriations for the general fund only in 1998.

Ohio Rev. Code Section 5705.41 (D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Section 5705.41 (D), Revised Code, provides an exception to this requirement:

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

**3. BUDGETARY ACTIVITY (Continued)**

If no certificate is issued at the time the contract or order is presented for payment, the fiscal officer may authorize payment provided there is appropriated sufficient sum for the purpose of such contract and is in the treasury or process of collection to the credit of an appropriate fund free from a previous encumbrance. If the amount involved is greater than \$1,000, the taxing authority may approve the payment, provided such action is taken within thirty days of the contract date.

The Village did not properly encumber expenditures for 1997 and 1998.

Ohio Rev. Code Sect. 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. In 1998 the General Fund appropriations exceeded the estimated revenue.

**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. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, employees 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.

**6. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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

**7. CONTINGENT LIABILITIES**

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

**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 no internal mission critical systems that may be affected by the issue. Tax collection for the Village is handled by Clark County. The county is responsible for remediating this system, and is solely responsible for any costs associated with this project. 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 the Village's remediation efforts will be successful in whole or in part, or that parties with whom the Village does business will be year 2000 ready.

**9. PRIOR PERIOD ADJUSTMENT**

As of January 1, 1997, the beginning fund balances of the Agency Fund was restated to reflect a correction to the cash receipts and expenditures of the prior period. The effect of this correction is as follows:

Agency Fund Balance as previously reported, December 31, 1996	\$ 855
Net change in prior year cash receipts and expenditures	<u>580</u>
Agency Fund Balance as restated, January 1, 1997	<u><u>1,435</u></u>

**10. SUBSEQUENT EVENTS**

The Village did not submit the Certificate of Available Resources or the annual appropriations for 1999 by the first of the year as required. As a result, as of May 1999, the County is not remitting property tax distributions to the Village. The tax budget for 2000 has also not been submitted by July 15, as required, to the County Auditor.

Sections 118.02 and 118.03, Revised Code, establish the guidelines regarding fiscal watch, and fiscal emergency situations. As of December 29, 1999, the Auditor of State has placed the Village on a fiscal watch.

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Lawrenceville, Clark County, Ohio (the Village), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated November 4, 1999, and updated December 30, 1999, in which we noted that the Village had inadequate accounting records to support receipts recorded as charges for services in the General Fund. The Village was placed in fiscal watch December 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1998-30312-001 through 1998-30312-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 4, 1999.

**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 matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions described are in the accompanying schedule of findings as items 1998-30312-009 through 1998-30312-011.

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 over financial reporting that might be material weaknesses and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1998-30312-009 through 1998-30312-011 to be material weaknesses.

We also noted other matters involving 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 November 4, 1999.

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

**Jim Petro**  
Auditor of State

November 4, 1999

**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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<b>FINDING NUMBER</b>	<b>1998-30312-001</b>
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Ohio Rev. Code Section 5705.34 requires that each tax authority pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1, unless a later date is approved by the tax commissioner.

The Village failed to pass an ordinance or resolution to authorize the necessary tax levies for 1997 and 1998.

<b>FINDING NUMBER</b>	<b>1998-30312-002</b>
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Ohio Rev. Code Section 5705.38 requires the taxing authority to pass an annual appropriation measure on or about the first day of each fiscal year. The Village Council failed to adopt appropriations for any funds in 1997 and only adopted appropriations for the General Fund in 1998.

As a result of the Village Council failing to adopt appropriations, total expenditures exceeded total appropriations in the Street Fund by \$6,628, COPS Fast Fund by \$43,620 and Health Fund by \$2,147 for 1998 and the General Fund by \$71,323, Street Fund by \$34,895, Health Fund by \$1,449 and COPS Fast Fund by \$44,227 for 1997. Village Council should adopt appropriations for all funds and monitor expenditures. The failure of the Village Council to perform this function may be a contributing factor of the Village having a negative General Fund cash balance.

<b>FINDING NUMBER</b>	<b>1998-30312-003</b>
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Ohio Rev. Code Section 5705.41 (D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Section 5705.41 (D), Revised Code, provides an exception to this requirement:

If no certificate is issued at the time the contract or order is presented for payment, the fiscal officer may authorize payment provided there is appropriated sufficient sum for the purpose of such contract and is in the treasury or process of collection to the credit of an appropriate fund free from a previous encumbrance. If the amount involved is greater than \$1,000, the taxing authority may approve the payment, provided such action is taken within thirty days of the contract date.

The Village did not properly encumber 97% of expenditures tested for 1997 and 1998.

<b>FINDING NUMBER</b>	<b>1998-30312-004</b>
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26 C.F.R. 31.6151-1 requires income tax be withheld for both the employer and employee shares of social security and Medicare taxes. 26 C.F.R. 31-6071 requires taxes be remitted along with Form 941 on a monthly basis by the 15<sup>th</sup> day of the month following the month wages were earned.

The Village failed to report and remit federal taxes withheld during 1997 and 1998 to the appropriate tax authorities in a timely manner resulting in the assessment of penalties against the village.

**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 1998 AND 1997**  
(Continued)

<b>FINDING NUMBER</b>	<b>1998-30312-005</b>
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Ohio Rev. Code Section 145.47 requires that the fiscal officer of each local authority subject to this chapter, transmit promptly to the secretary of the public employees retirement board a report of all contributions at such intervals and in such form as the board shall require, showing thereon all deductions for the public employees retirement system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions.

The Village failed to report and remit PERS contributions for 1997 in a timely manner resulting in the assessment of penalties and interest against the Village.

<b>FINDING NUMBER</b>	<b>1998-30312-006</b>
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The Ohio Admin. Code Section 117-5-09 requires that each village record each expenditure of village money and each receipt of village money in a cash journal.

The Ohio Admin. Code Section 117-5-10 requires that each village maintain a receipts ledger which shall contain a separate sheet for each account established by the village. Each village shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

The Ohio Admin. Code Section 117-05-11 requires that each village maintain an appropriation ledger which shall contain a separate sheet for each account established. Each village shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution.

The Ohio Admin. Code Section 117-5-13 requires the village to use the encumbrance method of accounting. All purchase orders shall be numbered consecutively and certified by the Village Clerk that funds are available or in the process of collection free from a previous encumbrance. Each encumbrance charged against an appropriation shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

The village failed to properly maintain any of the aforementioned journals or ledgers. Purchase orders were not used by the village. The lack of a properly maintained set of records inhibits the ability of council to make informed decisions on village activity. The village should maintain an accurate and current record of all activity.

<b>FINDING NUMBER</b>	<b>1998-30312-007</b>
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Ohio Rev. Code Sect. 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. In 1998 the General Fund appropriations exceeded the total estimated resources by \$15,066, or 24%. The Village should monitor this budgetary section of code to maintain compliance, and monitor actual receipts in comparison with estimated resources and amend appropriations ( which is the legal level of expenditure control) when it becomes apparent that actual receipts will not be sufficient to maintain an anticipated appropriation level.

<b>FINDING NUMBER</b>	<b>1998-30312-008</b>
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Ohio Rev. Code Sect. 5705.10 states that money that is paid into a fund must be used only for which said fund has been established. As a result, a negative fund balance can occur which would indicate that money from one fund was used to cover the expenses of another. At December 31, 1998, the general fund incurred a negative fund balance of \$10,806, and a negative fund cash balance of \$1,840 at December 31, 1997.

**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 1998 AND 1997**  
(Continued)

<b>FINDING NUMBER</b>	<b>1998-30312-009</b>
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Formal policies and procedures are standards that insure continuity in the operation of the village, and that intentions of Council are clearly understood, and followed in a consistent manner. The Village had no written codes of conduct or policies regarding acceptable practices, formal job descriptions, nor audit committee. In addition, management did not require that Clerks be adequately experienced or trained in governmental accounting policies and procedures. The lack of formal policies, along with frequent turnover in the Clerk's position, resulting in large voids in accounting and reporting.

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

<b>FINDING NUMBER</b>	<b>1998-30312-010</b>
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The Village failed to maintain adequate records of billing, collection, and posting of water utility revenue, resulting in our inability to determine the reasonableness of the account balances as reported. Current, accurate, and complete records are necessary to insure that water utility revenue is adequate to cover costs, and to insure that all monies due the village are collected in a timely manner.

The Village should establish clear policies, and procedures, and adequately maintain records relating to water revenue, billing, and accounts receivable. Village Council should monitor these activities to determine that proper procedures are being followed.

<b>FINDING NUMBER</b>	<b>1998-30312-011</b>
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Monthly reconciliations to the Village's depository accounts were not performed. A bank account reconciliation is a basic control to insure accuracy and completeness of the Village's recording of current receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen.

To strengthen control over the reconciliation process: monthly bank reconciliations should be performed, all cash reconciliation supporting documentation should be maintained, and reconciled bank statement amounts should correspond to reported fund cash balances. Also, Council personnel should periodically review the monthly bank reconciliations to determine that proper procedures are being followed.

Village Council should also inspect supporting documentation (i.e., original vendor invoices, purchase orders) to determine that payments are being made only for authorized purchases in which the goods or service was actually received.

Additionally, the Village Council should comply with Ohio laws and regulations pertaining to adopting, approving, and monitoring budgets (as discussed in finding number 002) and require that all accounting records be maintained (as discussed in finding number 006). The lack of approving and monitoring budgets and the lack of accounting records has caused the Village to be in a deficit spending condition.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF LAWRENCEVILLE**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 18, 2000**