



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF ADDYSTON  
HAMILTON COUNTY  
DECEMBER 31, 2017 AND 2016**

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# OHIO AUDITOR OF STATE KEITH FABER



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## REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

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

To the Members of the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Addyston, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

### ***Internal Control Over Financial Reporting***

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2017-006 through 2017-008, 2017-010, 2017-011, 2017-018, 2017-019, 2017-021, 2017-025 through 2017-027, 2017-035, 2017-037, 2017-038, 2017-040, 2017-041, 2017-044, and 2017-045 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

### ***Compliance and Other Matters***

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2017-005, 2017-006, 2017-009, 2017-012 through 2017-017, 2017-020 through 2017-024, 2017-028 through 2017-034, 2017-038, 2017-039, 2017-042, and 2017-043.

### ***Other Matters***

The Auditor of State is conducting an investigation. As of the date of this report, the investigation is ongoing. Dependent on the results of the investigation, results may be reported at a later date.

### ***Government's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Keith Faber  
Auditor of State

Columbus, Ohio

August 31, 2020

**Village of Addyston, Ohio**  
*Hamilton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis) -*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$107,580	\$91,906	\$0	\$0	\$199,486
Municipal Income Tax	437,709	0	0	0	437,709
Intergovernmental	18,847	2,256	0	0	21,103
Charges for Services	15,753	2,205	81,802	0	99,760
Fines, Licenses and Permits	89,897	0	0	0	89,897
Earnings on Investments	747	0	0	0	747
Unclassified Receipts	(650)	3	115	0	(532)
Miscellaneous	1,364	0	0	70,440	71,804
<i>Total Cash Receipts</i>	<u>671,247</u>	<u>96,370</u>	<u>81,917</u>	<u>70,440</u>	<u>919,974</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	188,302	3,435	0	0	191,737
Leisure Time Activities	24,397	0	0	0	24,397
Basic Utility Services	31,669	0	0	0	31,669
Transportation	81,965	4,913	0	0	86,878
General Government	263,971	58,347	0	0	322,318
Capital Outlay	0	3,712	43,360	2,995	50,067
Unclassified Expenditures	330,726	17,100	0	0	347,826
Debt Service:					
Principal Retirement	30,581	0	0	0	30,581
Interest and Fiscal Charges	1,880	0	40,865	0	42,745
<i>Total Cash Disbursements</i>	<u>953,491</u>	<u>87,507</u>	<u>84,225</u>	<u>2,995</u>	<u>1,128,218</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(282,244)</u>	<u>8,863</u>	<u>(2,308)</u>	<u>67,445</u>	<u>(208,244)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Financing Sources	708	0	0	0	708
<i>Total Other Financing Receipts (Disbursements)</i>	<u>708</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>708</u>
<i>Net Change in Fund Cash Balances</i>	<u>(281,536)</u>	<u>8,863</u>	<u>(2,308)</u>	<u>67,445</u>	<u>(207,536)</u>
<i>Fund Cash Balances, January 1</i>	<u>704,248</u>	<u>89,180</u>	<u>24,472</u>	<u>22,978</u>	<u>840,878</u>
<b>Fund Cash Balances, December 31</b>					
Unclassified	422,712	98,043	22,164	90,423	633,342
<i>Fund Cash Balances, December 31</i>	<u>\$422,712</u>	<u>\$98,043</u>	<u>\$22,164</u>	<u>\$90,423</u>	<u>\$633,342</u>

See accompanying notes to the basic financial statements.

**Village of Addyston, Ohio***Hamilton County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis) -  
All Proprietary Fund Types**For the Year Ended December 31, 2017*

	Proprietary	Proprietary	Totals
	Enterprise	Internal Service	(Memorandum Only)
<b>Operating Cash Receipts:</b>			
Charges for Services	\$185,608	\$0	\$185,608
Unclassified Receipts	1,458	0	\$1,458
Miscellaneous	0	150	150
<i>Total Operating Cash Receipts</i>	<u>187,066</u>	<u>150</u>	<u>187,216</u>
<b>Operating Cash Disbursements:</b>			
Unclassified Expenditures	42,650	0	42,650
Personal Services	23,448	0	23,448
Employee Fringe Benefits	5,486	0	5,486
Contractual Services	39,678	0	39,678
Supplies and Materials	11,583	966	12,549
Other	145,122	0	145,122
<i>Total Operating Cash Disbursements</i>	<u>267,967</u>	<u>966</u>	<u>268,933</u>
<i>Operating Income (Loss)</i>	<u>(80,901)</u>	<u>(816)</u>	<u>(81,717)</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Property and Other Local Taxes	12,547	0	12,547
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>12,547</u>	<u>0</u>	<u>12,547</u>
<i>Income (Loss)</i>	(68,354)	(816)	(69,170)
<i>Net Change in Fund Cash Balances</i>	(68,354)	(816)	(69,170)
<i>Fund Cash Balances, January 1</i>	<u>61,069</u>	<u>4,373</u>	<u>65,442</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$7,285)</u></u>	<u><u>\$3,557</u></u>	<u><u>(\$3,728)</u></u>

*See accompanying notes to the basic financial statements.*



**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The Village of Addyston (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Miami Township to receive fire protection services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Fire Revenue Fund*** The Fire Revenue fund receives tax levy revenues for the purpose of contract services for fire and EMS services.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Boat Ramp Fund*** The Boat Ramp fund accounts for a grant from the State of Ohio for a mixed boat ramp/land use project located within the Village.

***Enterprise Funds*** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

***Water Fund*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the financial activity of the Village's Mayor's Court.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law. Management

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**Village of Addyston, Ohio**  
*Hamilton County*  
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*For the Year Ended December 31, 2017*

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,298,760	\$671,247	(\$627,513)
Special Revenue	123,711	96,370	(27,341)
Debt Service	82,330	81,917	(413)
Capital Projects	552,200	70,440	(481,760)
Enterprise	334,706	199,763	(134,943)
<b>Total</b>	<b>\$2,391,707</b>	<b>\$1,119,737</b>	<b>(\$1,271,970)</b>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$780,000	\$953,491	(\$173,491)
Special Revenue	107,484	87,507	19,977
Debt Service	425,560	84,225	341,335
Capital Projects	70,400	2,995	67,405
Enterprise	314,500	268,933	45,567
<b>Total</b>	<b>\$1,697,944</b>	<b>\$1,397,151</b>	<b>\$300,793</b>

**Note 4 – Deposits and Investments**

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

	2017
Demand deposits	\$690,094

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u> <u>\$26,849</u>
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Rehabilitation OPWC #CB007	\$7,950	0%
Water System Replacement OPWC #CB24E	\$106,465	3%
Well Field Water Main Replacement OPWC #CY04E	\$32,246	0%
Second Street Waterline Replacement OWDA #5879	\$78,710	2%
Police Cruisers Ford Municipal Lease	\$4,706	5.45%
PNC Capital Improvement Loan	56,948	2.40%
Total	<u>\$287,025</u>	

During 1999, the Village was awarded Ohio Public Works Commission Loan #CB007 in the amount of \$106,000. Proceeds from the loan were used to finance water service rehabilitation. The Village is making semi-annual payments of \$2,650 with the final payment due January 1, 2019.

During 2003, the Village was awarded Ohio Public Works Commission Loan #CB24E in the amount of \$292,000. Proceeds from the loan were used to finance water service replacements. The Village is making semi-annual payments of \$9,761 with the final payment due July 1, 2023. 9

**Village of Addyston, Ohio**  
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*For the Year Ended December 31, 2017*

During 2005, the Village was awarded Ohio Public Works Commission Loan #CT04E in the amount of \$85,992. Proceeds from the loan were used to finance a well field water main replacement. The Village is making semi-annual payments of \$2,150 with the final payment due January 1, 2025.

During 2011, the Village was awarded Ohio Water Development Authority Loan #5879 in the amount of \$109,556. Proceeds from the loan were used to finance the Second Street Waterline Replacement. The Village is making semi-annual payments of \$3,050 with the final payment due July 1, 2032.

During 2016 the Village was awarded a PNC Capital Improvement Loan in the amount of \$100,000 with an interest rate of 2.40%. As of December 31, 2017 the Village owed \$56,948 the loan is for capital improvements within the Municipal Building facility.

During 2017 the Village was awarded an Ohio Water Authority Grant in the amount of \$49,200 to install a water main interconnection with the Village of Cleves, Ohio. The amount owed at the end of December 31, 2017 was \$49,200.00

***Leases***

The Village leases buildings, vehicles and other equipment under non-cancelable leases. The Village disbursed \$17,255 in 2016. During 2014, the Village entered into a capital lease purchase agreement with Ford Credit Municipal Finance in the amount of \$69,148. The Capital Lease was for two new 2014 Ford Interceptor police cruisers. The Village is making quarterly payments of \$4,774. Payments are due quarterly with the final payment due January 14, 2018.

***Amortization***

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

Year Ending December 31:	Water System Rehabilitation	Water Service Replacements	Well Field Water Main Replacement	Second Street Waterline Replacement	Cruisers Capital Lease	Total
2018	5,300	19,521	4,300	6,100	4,774	39,996
2019	2,650	19,521	4,300	6,100		32,571
2020		19,521	4,300	6,100		29,921
2021		19,521	4,300	6,100		29,921
2022		19,521	4,300	6,100		84,594
2023-2027		19,521	10,749	30,502		30,502
2028-2032				30,502		6,100
Total	<u>\$7,950</u>	<u>\$117,126</u>	<u>\$32,249</u>	<u>\$91,504</u>	<u>\$4,774</u>	<u>\$253,605</u>

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-



**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**Village of Addyston, Ohio**

*Hamilton County*

*Combined Statement of Receipts, Disbursements*

*and Changes in Fund Balances (Regulatory Cash Basis) -*

*All Governmental Fund Types*

*For the Year Ended December 31, 2016*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$111,932	\$96,211	\$0	\$0	\$208,143
Municipal Income Tax	436,021	0	0	0	436,021
Intergovernmental	20,791	1,629	0	6,780	29,200
Charges for Services	153,227	0	32,095	0	185,322
Fines, Licenses and Permits	105,768	0	0	0	105,768
Earnings on Investments	585	0	0	0	585
Unclassified Receipts	201	0	57	0	258
<i>Total Cash Receipts</i>	<u>828,525</u>	<u>97,840</u>	<u>32,152</u>	<u>6,780</u>	<u>965,297</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	331,489	6,072	0	0	337,561
Leisure Time Activities	15,971	0	0	0	15,971
Basic Utility Services	24,951	0	0	0	24,951
Transportation	151,214	33,641	0	0	184,855
General Government	257,303	55,371	0	0	312,674
Capital Outlay	0	8,500	17,611	250	26,361
Unclassified Expenditures	6,371	(15)	0		6,356
Debt Service:					
Principal Retirement	23,812	0	0	0	23,812
Interest and Fiscal Charges	2,629	0	0	0	2,629
<i>Total Cash Disbursements</i>	<u>813,740</u>	<u>103,569</u>	<u>17,611</u>	<u>250</u>	<u>935,170</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,785</u>	<u>(5,729)</u>	<u>14,541</u>	<u>6,530</u>	<u>30,127</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	20,000	0	0	20,000
Transfers Out	0	(20,000)	0	0	(20,000)
Other Financing Uses	(92)	-	0	-	(92)
<i>Total Other Financing Receipts</i>	<u>(92)</u>	<u>-</u>	<u>0</u>	<u>-</u>	<u>(92)</u>
<i>Net Change in Fund Cash Balances</i>	14,693	(5,729)	14,541	6,530	30,035
<i>Fund Cash Balances, January 1</i>	<u>687,767</u>	<u>94,909</u>	<u>9,931</u>	<u>16,448</u>	<u>809,055</u>
<b>Fund Cash Balances, December 31</b>					
Unclassified	<u>702,460</u>	<u>89,180</u>	<u>24,472</u>	<u>22,978</u>	<u>839,090</u>
<i>Fund Cash Balances, December 31</i>	<u>\$702,460</u>	<u>\$89,180</u>	<u>\$24,472</u>	<u>\$22,978</u>	<u>\$839,090</u>

*See accompanying notes to the basic financial statements.*

**Village of Addyston, Ohio***Hamilton County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis) -  
All Proprietary Fund Types**For the Year Ended December 31, 2016*

	Enterprise	Internal Service	Totals (Memorandum Only)
<b>Operating Cash Receipts:</b>			
Charges for Services	\$230,945	\$0	\$230,945
Unclassified Receipts	1,026	0	1,026
<i>Total Operating Cash Receipts</i>	<u>231,971</u>	<u>0</u>	<u>231,971</u>
<b>Operating Cash Disbursements:</b>			
Unclassified Expenditures	418	0	418
Personal Services	63,440	0	63,440
Employee Fringe Benefits	10,912	0	10,912
Contractual Services	51,012	0	51,012
Supplies and Materials	14,260	1,017	15,277
Other	108,121	0	108,121
<i>Total Operating Cash Disbursements</i>	<u>248,163</u>	<u>1,017</u>	<u>249,180</u>
<i>Operating Income (Loss)</i>	<u>(16,193)</u>	<u>(1,017)</u>	<u>(17,210)</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Property and Other Local Taxes	13,185	0	13,185
Intergovernmental	266	0	266
Principal Retirement	(100)	0	(100)
Miscellaneous Receipts	0	121	121
Other Financing Sources	0	0	0
Other Financing Uses	0	0	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>13,351</u>	<u>121</u>	<u>13,472</u>
<i>Income</i>	(2,842)	(896)	(3,738)
<i>Net Change in Fund Cash Balances</i>	(2,842)	(896)	(3,738)
<i>Fund Cash Balances, January 1</i>	<u>63,987</u>	<u>5,269</u>	<u>69,256</u>
<i>Fund Cash Balances, December 31</i>	<u>\$61,145</u>	<u>\$4,373</u>	<u>\$65,518</u>

*See accompanying notes to the basic financial statements.*

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The Village of Addyston (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Miami Township to receive fire protection services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Fire Revenue Fund*** The Fire Revenue fund receives tax levy revenues for the purpose of contract services for fire and EMS services.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Boat Ramp Fund*** The Boat Ramp fund accounts for a grant from the State of Ohio for a mixed boat ramp/land use project located within the Village.

***Enterprise Funds*** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

***Water Fund*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the financial activity of the Village's Mayor's Court.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law. Management

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,375,296	\$828,525	(\$546,771)
Special Revenue	137,058	117,840	(19,218)
Debt Service		32,152	32,152
Capital Projects	566,100	6,780	(559,320)
Enterprise	438,135	245,543	(192,592)
<b>Total</b>	<b>\$2,516,589</b>	<b>\$1,230,840</b>	<b>(\$1,285,749)</b>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,055,411	\$813,832	\$241,579
Special Revenue	170,906	123,569	47,337
Debt Service		17,611	
Capital Projects	574,448	250	574,198
Enterprise	351,018	249,280	101,738
<b>Total</b>	<b>\$2,151,783</b>	<b>\$1,204,542</b>	<b>\$964,852</b>

**Note 4 – Deposits and Investments**

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

Demand deposits	2016 \$971,563
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**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 – Taxes**

**Property Taxes**



**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>2016 Contributions to PEP</u></b> <b><u>\$25,519</u></b>
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Ohio Police and Fire Retirement System***

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2016. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2016, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Rehabilitation OPWC #CB007	\$13,250	0%
Water System Replacement OPWC #CB24E	\$122,432	3%
Well Field Water Main Replacement OPWC #CY04E	\$36,546	0%
Second Street Waterline Replacement OWDA #5879	\$83,178	2%
Police Cruisers Ford Municipal Lease	\$22,926	5.45%
PNC Capital Improvement Loan	90,541	2.40%
Total	<u>\$368,873</u>	

During 1999, the Village was awarded Ohio Public Works Commission Loan #CB007 in the amount of \$106,000. Proceeds from the loan were used to finance water service rehabilitation. The Village is making semi-annual payments of \$2,650 with the final payment due January 1, 2019.

During 2003, the Village was awarded Ohio Public Works Commission Loan #CB24E in the amount of \$292,000. Proceeds from the loan were used to finance water service replacements. The Village is making semi-annual payments of \$9,761 with the final payment due July 1, 2023. 9

During 2005, the Village was awarded Ohio Public Works Commission Loan #CT04E in the amount of \$85,992. Proceeds from the loan were used to finance a well field water main replacement. The Village is making semi-annual payments of \$2,150 with the final payment due January 1, 2025.

During 2011, the Village was awarded Ohio Water Development Authority Loan #5879 in the amount of \$109,556. Proceeds from the loan were used to finance the Second Street Waterline Replacement. The Village is making semi-annual payments of \$3,050 with the final payment due July 1, 2032.

**Village of Addyston, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

During 2016 the Village was awarded a PNC Capital Improvement Loan in the amount of \$100,000 with an interest rate of 2.40%. As of December 31, 2016 the Village owed \$90,541 the loan is for capital improvements within the Municipal Building facility.

***Leases***

The Village leases buildings, vehicles and other equipment under non-cancelable leases. The Village disbursed \$17,255 in 2016. During 2014, the Village entered into a capital lease purchase agreement with Ford Credit Municipal Finance in the amount of \$69,148. The Capital Lease was for two new 2014 Ford Interceptor police cruisers. The Village is making quarterly payments of \$4,774. Payments are due quarterly with the final payment due January 14, 2018.

***Amortization***

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

Year Ending December 31:	Water System Rehabilitation	Water Service Replacements	Well Field Water Main Replacement	Second Street Waterline Replacement	Cruisers Capital Lease	Total
2017	\$5,300	\$19,521	\$4,300	\$6,100	\$19,096	\$54,318
2018	5,300	19,521	4,300	6,100	4,774	39,996
2019	2,650	19,521	4,300	6,100		32,571
2020		19,521	4,300	6,100		29,921
2021		19,521	4,300	6,100		29,921
2022-2026		39,043	15,049	30,502		84,594
2027-2031				30,502		30,502
2032				6,100		6,100
Total	<u>\$13,250</u>	<u>\$136,648</u>	<u>\$36,549</u>	<u>\$97,604</u>	<u>\$23,870</u>	<u>\$307,923</u>

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF ADDYSTON  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 & 2016**

<b>Finding Number</b>	<b>2017-001</b>
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**Finding for Recovery – Repaid Under Audit**

*Pension Payments*

**Ohio Rev. Code § 742.31** states each employee shall contribute an amount equal to twelve and one-quarter percent of the employees' salary earned in pay periods beginning not earlier than July 2, 2015 to the Ohio police and fire pension fund. The amount shall be deducted by the employer from the employee's salary for each pay period.

From May 2017 through December 2017, the Village withheld 1.98% of former Police Chief Dorian LaCourse's gross pensionable salary, or \$866, for the employee share of the Ohio Police and Fire Pension (OP&F) withholding. The required share was 12.25% per the Ohio Revised Code section noted above, or \$5,337. The Village paid \$5,337 to OP&F on behalf of former Police Chief Dorian LaCourse. Because the Village paid \$5,337 to OP&F on behalf of former Police Chief Dorian LaCourse, but only withheld \$866, former Police Chief Dorian LaCourse was overpaid by \$4,471 from the General Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Police Chief Dorian LaCourse in the amount of \$4,471 and in favor of the Village of Addyston, General Fund.

On June 18, 2020, Dorian LaCourse repaid his finding for recovery in full.

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>Finding Number</b>	<b>2017-002</b>
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**Finding for Recovery**

*Penalties & Interest Paid to Retirement Systems*

Governmental entities may not make expenditures of public monies unless they are for a valid public purpose.

**FINDING NUMBER 2017-002  
(Continued)**

Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court Case of *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. As stated in *McClure*, “generally, a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants . . . .” *Id.* at 325. Second the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

During 2017, the Ohio Public Employees Retirement System (OPERS) made assessments of penalties and interest to the Village which totaled \$187 and \$29, respectively.

During 2016, OPERS also made assessments of penalties and interest to the Village which totaled \$124 and \$3, respectively.

During 2017, the Ohio Police and Fire Retirement System (OP&F) made assessments of penalties to the Village which totaled \$250.

During 2016, OP&F also made assessments of penalties to the Village which totaled \$50.

The Village Clerk was responsible for making timely payments to the pension systems.

In accordance with the foregoing facts and circumstances and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Margaret Dozier, Village Clerk, and her bonding company, Public Entities Pool of Ohio, in the amount of \$643, and in favor of the Village of Addyston, General Fund.

**Officials’ Response:**

The Village is reviewing its records at this time to determine if the payroll service provider was responsible for the withholding and payment of OPERS amounts.

<b>Finding Number</b>	<b>2017-003</b>
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**Finding for Recovery – Partially Repaid**

*Payroll Overpayments*

The Village overpaid certain individuals during 2017 and 2016 as follows:

- Eric Winhusen’s authorized compensation for 2017 was \$600 monthly plus a longevity payment of \$160 in December 2017; however, the Village paid Mr. Winhusen \$600 twice in May of 2017 and a longevity payment of \$780 in December of 2017. Therefore, Mr. Winhusen received overpayments totaling \$1,220 in 2017 from the Water Operating Fund. The direct deposits for these payments were authorized by Margaret Dozier, Village Clerk.
- Bernard Thomas’s compensation authorized by the Board of Public Affairs for 2017 was \$200 monthly; however, the Village paid Mr. Thomas an additional \$1,200 in August of 2017 and an additional \$1,400 in September of 2017. Therefore, Mr. Thomas received overpayments totaling \$2,600 in 2017 from the Water Operating Fund. The direct deposits for the payroll processed by Paycor were authorized by Margaret Dozier, Village Clerk. Bernard Thomas repaid the Village \$1,200 on November 1, 2019; and therefore still owes the Village \$1,400.

**FINDING NUMBER 2017-003**  
**(Continued)**

- Former Council Member Phillip Bovard and Council Member Dan Dalton were authorized to be paid \$300 monthly for 2017; however, due to errors in processing payroll from January 2017 through March 2017, Mr. Bovard and Mr. Dalton were each overpaid \$50, for a total of \$100 in 2017 from the General Fund. These payments were authorized by Margaret Dozier, Village Clerk.
- Village Clerk Margaret Dozier was authorized to be paid \$1,550 monthly from the General Fund in 2017; however, due to errors in processing payroll from January 2017 through July 2017, Ms. Dozier was both underpaid and overpaid during this time period. As a result, Ms. Dozier was underpaid from the General Fund by a net amount of \$50 and overpaid from the Water Operating Fund by a net amount of \$100, resulting in a net overpayment of \$50 in 2017 from the Water Operating Fund. These payments were authorized by Margaret Dozier, Village Clerk.
- Former Council Member Lisa Mear was authorized to be paid \$30 monthly for 2017; however, due to errors in processing payroll from January 2017 through May 2017, Ms. Mear was both underpaid and overpaid during this time period. As a result, Ms. Mear was overpaid a net amount of \$50 from the General Fund in 2017. These payments were authorized by Margaret Dozier, Village Clerk.
- Former Village Treasurer Natalie Thomas was authorized to be paid \$800 monthly for 2017; however, due to errors in processing payroll in January 2017, February 2017, and April 2017, Ms. Thomas was both underpaid and overpaid during this time period. As a result, Ms. Thomas was overpaid by a net amount of \$50 from the General Fund in 2017. These payments were authorized by Margaret Dozier, Village Clerk.
- Former employee Robert Bast, an hourly employee, was paid \$134 for 8.6 hours of work for the pay period ended June 12, 2017 from a payroll processed by Paycor. Mr. Bast received a duplicate payment of \$134 for the 8.6 hours of work during the pay period ended June 12, 2017 from a payroll processed in the Uniform Accounting Network (UAN) system. Therefore, Mr. Bast was overpaid \$134 in 2017 from the General Fund. The warrant issued related to the overpayment was authorized by Margaret Dozier, Village Clerk.
- Donald McWhorter, an hourly employee, was paid for 10 hours at \$45/hour that was not reported on his timesheet for the pay period ended December 2, 2017. He was also underpaid 12 hours of regular pay and 3.33 hours of overtime for the same pay period. This resulted in a net overpayment of \$192 from the General Fund for the pay period ended December 2, 2017. The direct deposit was authorized by Margaret Dozier, Village Clerk.
- Former employee Jackie Buchert, an hourly employee, was paid for 9.8 hours more than what was reported on her timesheet for the pay period ended June 16, 2016. This error occurred due to an inaccuracy in footing the timesheet, which incorrectly reported 69 hours instead of 59.2 hours. This resulted in an overpayment of \$140 to Ms. Buchert in 2016 from the Water Operating Fund. Also, for the pay period ended September 9, 2017, Ms. Buchert was paid for 2.55 hours more than what was reported on her timesheet. This resulted in a \$37 overpayment to Ms. Buchert in 2017 from the Water Operating Fund. The overpayment of \$140 for the pay period ended June 16, 2016 was authorized by Margaret Dozier, Village Clerk. The overpayment of \$37 for the pay period ended September 9, 2017, was paid by a direct deposit authorized by Margaret Dozier, Village Clerk.

**FINDING NUMBER 2017-002  
(Continued)**

- Jerome Brinkman, an hourly employee, was paid for 15.25 hours more than what was reported on his timesheet for the pay period ended September 9, 2017. Mr. Brinkman was paid for 80 hours instead of the 64.75 hours reported on his timesheet. This resulted in a \$290 overpayment from the Street Construction Maintenance and Repair Fund. Also, Mr. Brinkman was paid for 2.93 hours more than what was reported on his timesheet for the pay period ended December 16, 2017. Mr. Brinkman was paid for 80 hours instead of the 77.07 hours reported on his timesheet. This resulted in a \$55 overpayment from the Street Construction Maintenance and Repair Fund. In total, Mr. Brinkman was overpaid by \$345 in 2017. The direct deposits for both payments in 2017 were authorized by Margaret Dozier, Village Clerk.
- Former employee Angela Byers, an hourly employee, was paid for 3.5 hours more than what was reported on her timesheet for the pay period ended December 2, 2017. Ms. Byers was paid for 23 hours instead of the 19.50 hours reported on her timesheet. This resulted in a \$54 overpayment to Ms. Byers during 2017 from the General Fund. The direct deposit for the payroll ended December 2, 2017 was authorized by Margaret Dozier, Village Clerk.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following individuals in the following amount and in favor of the Village of Addyston funds indicated below:

<b>Individual</b>	<b>Amount of Finding for Recovery</b>	<b>Amount Repaid Under Audit</b>	<b>Remaining Finding for Recovery</b>	<b>In Favor of Fund</b>
Eric Winhusen	\$1,220		<b>\$1,220</b>	Water Operating Fund
Bernard Thomas	2,600	\$1,200	<b>1,400</b>	Water Operating Fund
Phillip Bovard	50		<b>50</b>	General Fund
Dan Dalton	50		<b>50</b>	General Fund
Margaret Dozier (Village Clerk)	50		<b>50</b>	Water Operating Fund
Lisa Mear	50		<b>50</b>	General Fund
Natalie Thomas	50		<b>50</b>	General Fund
Robert Bast	134		<b>134</b>	General Fund
Donald McWhorter	192		<b>192</b>	General Fund
Jackie Buchert	177		<b>177</b>	Water Operating Fund
Jerome Brinkman	345		<b>345</b>	Street Construction Maintenance and Repair Fund
Angela Byers	54		<b>54</b>	General Fund
<b>Total</b>	<b>\$4,972</b>	<b>\$1,200</b>	<b>\$3,772</b>	

<b>Summary - in Favor of Funds</b>	
General Fund	\$580
Street Construction Maintenance & Repair Fund	345
Water Operating Fund	2,847
<b>Total</b>	<b>\$3,772</b>



**FINDING NUMBER 2017-002  
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No.80-074; Ohio Rev. Code Section § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officers controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Village Clerk Margaret Dozier authorized the warrants and direct deposits resulting in the improper payments. Village Clerk Margaret Dozier and her bonding company, Public Entities Pool of Ohio, will be jointly and severally liable in the amounts of \$3,722 and \$3,772, respectively.

Also see Finding 2017-010 regarding payroll overpayments.

**Officials’ Response:**

Notices are being sent to all employees and elected officials who have been overpaid to recover the monies due to the Village.

<b>Finding Number</b>	<b>2017-004</b>
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**Finding for Recovery**

*Credit Card Late Fees*

Governmental entities may not make expenditures of public monies unless they are for a valid public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074. Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the person who unlawfully obtained such funds or property. See 1980 Op. Att’y. Gen. No. 80-974.

Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court Case of *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. As stated in *McClure*, “generally, a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants . . . .” *Id.* at 325. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

During 2017 and 2016, the Village incurred and paid credit card late fees of \$453 and \$150, respectively. The Village Clerk was responsible for making timely payments of credit card balances.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against , Margaret Dozier, Village Clerk, and her bonding company, Public Entities Pool of Ohio, in the amount of \$603, and in favor of the Village of Addyston, General Fund.

**FINDING NUMBER 2017-004  
(Continued)**

**Officials' Response:**

The Village is implementing a set date to pay the Village credit card seven days in advance of the due date for payment.

<b>Finding Number</b>	<b>2017-005</b>
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**Noncompliance**

*Mayor's Court Collections*

**Ohio Rev. Code § 1907.24(C), 2303.201(C), 2743.70(A), 2949.091(A)-(B), and 3109.14** state that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

Contrary to the above requirements, during November and December of 2017, the Mayor's Court collected fines totaling \$3,353 which were not remitted to the Treasurer of State. Furthermore, distributions to the Treasurer of State were not made in a timely manner for nine months in 2016 and for nine months in 2017. These errors occurred because the Village did not monitor court receipts to ensure the proper remittances were made to the Treasurer of State. The Village paid the \$3,353 to the Treasurer of State on May 14, 2020.

This matter will be referred to the Treasurer of State.

**Officials' Response:**

The Village made arrangements with the Clerk of the Mayor's Court and the monies due have been mailed to the Treasurer of the State of Ohio.

<b>Finding Number</b>	<b>2017-006</b>
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**Internal Control Deficiency/Noncompliance – Finding for Adjustment**

*Financial Reporting*

In our engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to error or fraud as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**Ohio Rev. Code § 5705.10(I)** provides that money paid into any fund shall be used only for the purposes for which such fund was established.

We identified the following conditions related to the Village's financial statements for the year ended December 31, 2017:

General Fund

- The Village improperly recorded Capital Outlay disbursements in the amount of \$28,957 as General Government disbursements.

**FINDING NUMBER 2017-006**  
**(Continued)**

- The Village improperly recorded \$740 of Intergovernmental receipts as Property and Other Local Taxes receipts.
- The Village improperly recorded \$597 of General fund Intergovernmental receipts as Charges for Services receipts in the Water Operating fund.
- The Village improperly recorded \$8,290 of Fines, Licenses, and Permits receipts belonging to the General fund to Charges for Services receipts in the Sewer Operating fund.
- The Village improperly recorded Principal Retirement payments in the amount of \$22,197 and Interest payments in the amount of \$837 to General Government disbursements.
- The Village improperly recorded Principal Retirement payments in the amount of \$5,995 and Interest payments in the amount of \$1,325 to General Government disbursements in the amount of \$7,320.
- The Village improperly recorded General fund Intergovernmental receipts in the amount of \$3,614 to Property and Other Local Taxes receipts in the amount of \$1,780 and Municipal Income Tax receipts in the amount of \$1,834.
- The Village improperly recorded Intergovernmental receipts in the amount of \$2,622 belonging to the Fire fund (\$1,933), Sewer Operating fund (\$168), and Water Operating fund (\$521) to Property and Other Local Taxes receipts in the General fund.
- The Village failed to record General fund Property and Other Local Taxes receipts gross of related fees in the amount of \$2,138, resulting in an understatement of Property and Other Local Taxes receipts in the amount of \$2,138 and an understatement of General Government disbursements in the amount of \$2,138.
- The Village improperly recorded General fund Intergovernmental receipts in the amount of \$872 as Charges for Services receipts in the Debt Service ABPA Loan fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$740 as Property and Other Local Taxes receipts.

Permissive Motor Vehicle License Tax Fund

- The Village improperly recorded Intergovernmental receipts in the amount of \$18,201 belonging to the Street Construction Maintenance and Repair fund (\$16,836) and to the State Highway fund (\$1,365) as Property and Other Local Tax receipts in the Permissive Motor Vehicle License Tax fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$1,862 to Property and Other Local Taxes receipts.
- The Village improperly recorded Intergovernmental receipts in the amount of \$478 belonging to the Permissive Motor Vehicle License Tax fund in the Sewer Operating fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$776 belonging to the State Highway fund to Property and Other Local Taxes receipts in the Permissive Motor Vehicle License Tax fund.
- The Village improperly recorded Intergovernmental receipts (county levied permissive taxes) in the amount of \$1,862 as Property and Other Local Taxes receipts.

**FINDING NUMBER 2017-006**  
**(Continued)**

Street Construction Maintenance and Repair Fund

- The Village improperly recorded a receipt of Property and Other Local Taxes in the amount of \$610 twice, resulting in a \$610 overstatement of the fund cash balance at December 31, 2017.
- The Village improperly recorded Intergovernmental receipts in the amount of \$610 to Property and Other Local Taxes receipts.
- The Village improperly recorded Intergovernmental receipts in the amount of \$16,836 belonging to the Street Construction Maintenance and Repair fund to Property and Other Local Taxes receipts in the Permissive Motor Vehicle License Tax fund.
- The Village improperly recorded \$8,113 of Intergovernmental receipts to Property and Other Local Taxes receipts.

State Highway Fund

- The Village improperly recorded Property and Other Local Taxes receipts in the amount of \$49 twice, resulting in a \$49 overstatement of the State Highway fund cash balance at December 31, 2017.
- The Village improperly recorded Intergovernmental receipts in the amount of \$49 to Property and Other Local Taxes receipts.
- The Village improperly recorded Intergovernmental receipts in the amount of \$1,365 belonging to the State Highway fund to Property and Other Local Taxes receipts in the Permissive Motor Vehicle License Tax fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$59 belonging to the State Highway fund to Charges for Services receipts in the Sewer Operating fund.
- The Village improperly recorded \$776 of Intergovernmental receipts belonging to the State Highway fund to Property and Other Local Taxes receipts in the Permissive Motor Vehicle License Tax fund.
- The Village improperly recorded \$662 of Intergovernmental receipts to Property and Other Local Taxes receipts.

Fire Fund

- The Village failed to record Fire fund Property and Other Local Taxes receipts gross of related fees in the amount of \$515 resulting in an understatement of Property and Other Local Taxes receipts in the amount of \$515 and an understatement of General Government disbursements in the amount of \$515.
- The Village improperly recorded Intergovernmental receipts in the amount of \$1,933 belonging to the Fire fund to Property and Other Local Taxes receipts in the General fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$968 belonging to the Fire fund to Property and Other Local Taxes receipts in the General fund.

**FINDING NUMBER 2017-006  
(Continued)**

Hamilton County SCIP Road Fund

- The Village improperly recorded Intergovernmental receipts in the amount of \$70,440 to Miscellaneous receipts in the Hamilton County SCIP Road Fund.

Water Operating Fund

- The Village improperly recorded Miscellaneous receipts in the amount of \$1,382 as Charges for Services receipts.
- The Village improperly recorded Intergovernmental receipts in the amount of \$597 belonging to the General fund in the Water Operating fund.
- The Village improperly recorded Charges for Services receipts in the amount of \$55,621 and Other Financing Sources in the amount of \$25,310, both belonging to the Water Operating fund, as Charges for Services receipts in the amount of \$80,931 in the ABPA Debt Service Loan fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$521 belonging to the Water Operating fund to Property and Other Local Taxes receipts in the General fund.
- The Village improperly recorded Miscellaneous receipts in the amount of \$98 to Charges for Services receipts.
- The Village improperly recorded Capital Outlay disbursements in the amount of \$25,310 belonging to the Water Operating fund to Capital Outlay disbursements in the ABPA Debt Service Loan fund.

Sewer Operating Fund

- The Village improperly recorded Contractual Services disbursements in the amount of \$112,948 as Other disbursements.
- The Village improperly recorded Intergovernmental receipts in the amount of \$478 belonging to the Permissive Motor Vehicle License Tax fund as Charges for Services receipts in the Sewer Operating fund.
- The Village improperly recorded Fines, Licenses, and Permits receipts in the amount of \$8,290 belonging to the General fund as Charges for Services receipts in the Sewer Operating fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$59 belonging to the State Highway fund as Charges for Services receipts in the Sewer Operating fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$168 belonging to the Sewer Operating fund to Intergovernmental receipts in the Fire fund.

ABPA Debt Service Loan Fund

- The Village improperly recorded Capital Outlay disbursements in the amount of \$22,246 as Interest Payments.
- The Village improperly recorded Charges for Services receipts in the amount of \$55,621 and Other Financing Sources in the amount of \$25,310, both belonging to the Water Operating fund, to Charges for Services receipts in the ABPA Loan fund.

**FINDING NUMBER 2017-006  
(Continued)**

- The Village improperly recorded Interest Payments in the amount of \$17,189 and Capital Outlay disbursements in the amount of \$7,681, both belonging to the Water Operating fund, to the ABPA Debt Service Loan fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$872 belonging to the General fund to Charges for Services receipts.
- The Village improperly recorded Capital Outlay disbursements in the amount of \$25,310 belonging to the Water Operating fund to the ABPA Debt Service Loan fund.
- The Village classified the ABPA Debt Service Loan fund as a governmental fund; however it should have been classified as an enterprise fund.

Mayor's Court Agency Fund (also noted in Finding 2017-008)

- The Village failed to record Mayor's Court activity for 2017 in an Agency Fund in the Uniform Accounting Network (UAN) system. The beginning fund cash balance at January 1, 2017 was \$19,193; 2017 receipts (Other Financing Sources – Non-Operating Receipts) were \$121,889; 2017 disbursements (Other Financing Uses – Non-Operating Disbursements) were \$112,144, and the December 31, 2017 cash fund balance was \$28,938.

Internal Service Funds

- The Village's Christmas fund and We Thrive fund were improperly classified as internal service funds; these funds should have been reported as special revenue funds.

We identified the following conditions related to the Village's financial statements for the year ended December 31, 2016:

General Fund

- The Village improperly recorded General fund Intergovernmental receipts in the amount of \$931 as Charges for Services receipts in the Water Operating fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$596 belonging to the General fund as Charges for Services receipts in the Sewer Operating fund.
- The Village improperly recorded Proceeds of a Line of Credit in the amount of \$100,000 to Charges for Services receipts.
- The Village failed to record Property and Other Local Taxes receipts at gross of related fees in the amount of \$2,592, resulting in an understatement of Property and Other Local Taxes receipts in the amount of \$2,592 and an understatement of General Government disbursements in the amount of \$2,592.
- The Village improperly recorded Intergovernmental receipts in the amount of \$1,781 as Property and Other Local Taxes receipts.
- The Village failed to record a Principal payment on a line of credit in the amount of \$6,299 and an Interest payment on a line of credit in the amount of \$788, resulting in a \$7,087 overstatement of the General fund cash balance at December 31, 2016.

**FINDING NUMBER 2017-006  
(Continued)**

- The Village improperly recorded Intergovernmental receipts in the amount of \$1,313 belonging to the Fire fund (\$968), Sewer Operating fund (\$84), and Water Operating fund (\$261) as Property and Other Local Taxes receipts in the General fund.

Permissive Motor Vehicle License Tax Fund

- The Village improperly recorded Intergovernmental receipts in the amount of \$18,016 belonging to the Street Construction Maintenance and Repair fund (\$16,665) and the State Highway fund (\$1,351) to Property and Other Local Taxes receipts in the Permissive Motor Vehicle License Tax fund.
- The Village improperly recorded Miscellaneous receipts in the amount of \$2,520 as Property and Other Local Taxes receipts.
- The Village improperly recorded Intergovernmental receipts in the amount of \$1,929 as Property and Other Local Taxes receipts.

Street Construction Maintenance and Repair Fund

- The Village improperly recorded Intergovernmental receipts in the amount of \$16,665 belonging to the Street Construction Maintenance and Repair fund as Property and Other Local Taxes receipts in the General fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$7,967 as Property and Other Local Taxes receipts.
- The Village improperly recorded Miscellaneous receipts in the amount of \$266 as Property and Other Local Taxes receipts.

State Highway Fund

- The Village improperly recorded Intergovernmental receipts in the amount of \$1,351 belonging to the State Highway fund as Property and Other Local Taxes receipts in the Permissive Motor Vehicle License Tax fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$66 belonging to the State Highway fund as Charges for Services receipts in the Sewer Operating fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$644 as Property and Other Local Taxes receipts.

Fire Fund

- The Village failed to record Property and Other Local Taxes receipts at gross of related fees in the amount of \$375, resulting in an understatement of Property and Other Local Taxes receipts in the amount of \$375 and an understatement of General Government disbursements in the amount of \$375.
- The Village improperly recorded Intergovernmental receipts in the amount of \$968 belonging to the Fire fund as Property and Other Local Taxes receipts in the General fund.

**FINDING NUMBER 2017-006  
(Continued)**

Hamilton County Block Grant Fund

- The Village improperly recorded \$280 of Miscellaneous receipts as Property and Other Local Taxes receipts.

Water Operating Fund

- The Village improperly recorded Charges for Services receipts in the amount of \$1,102 as Property and Other Local Taxes receipts.
- The Village improperly recorded Miscellaneous receipts in the amount of \$236 as Charges for Services receipts.
- The Village improperly recorded Intergovernmental receipts in the amount of \$931 belonging to the General fund as Charges for Services receipts in the Water Operating fund.
- The Village improperly recorded Charges for Services receipts in the amount of \$32,095 belonging to the Water Operating fund as Charges for Services receipts in the ABPA Debt Service Loan fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$261 belonging to the Water Operating fund as Property and Other Local Taxes receipts in the General fund.
- The Village improperly recorded Miscellaneous receipts in the amount of \$266 to Charges for Services receipts.

Sewer Operating Fund

- The Village improperly recorded Intergovernmental receipts in the amount of \$596 belonging to the General fund in the Sewer Operating fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$84 belonging to the Sewer Operating fund as Property and Other Local Taxes receipts in the General fund.
- The Village improperly recorded Intergovernmental receipts in the amount of \$66 belonging to the State Highway fund as Charges for Services receipts in the Sewer Operating fund.
- The Village improperly recorded Miscellaneous receipts in the amount of \$266 as Charges for Services receipts.

ABPA Debt Service Loan Fund

- The Village improperly recorded Charges for Services receipts in the amount of \$32,095 belonging to the Water Operating fund to the ABPA Debt Service Loan fund.
- The Village improperly recorded Principal payments on Ohio Public Works Commission (OPWC) loans in the amount of \$12,607 and Interest payments on OPWC loans in the amount of \$1,954 as Capital Outlay disbursements.
- The Village improperly recorded Principal payments on Ohio Water Development Authority (OWDA) loans in the amount of \$2,196 and Interest payments on OWDA loans in the amount of \$854 as Capital Outlay disbursements.



**FINDING NUMBER 2017-006  
(Continued)**

- The Village classified the ABPA Debt Service Loan fund as a governmental fund; however it should have been classified as an enterprise fund.

Mayor's Court Agency Fund

- The Village failed to record Mayor's Court activity for 2016 in an Agency Fund in the Uniform Accounting Network (UAN) system. The beginning fund cash balance at January 1, 2016 was \$9,928; 2016 receipts (Other Financing Sources - Non-Operating Receipts) were \$131,933, 2016 disbursements (Other Financing Uses - Non-Operating Disbursements) were \$122,668, and the December 31, 2016 cash fund balance was \$19,193.

Internal Service Funds

- The Village's Christmas fund and We Thrive fund were improperly classified as internal service funds; these funds should have been reported as special revenue funds.

The Village's financial statements and ledgers were not corrected for the errors noted above.

In accordance with the foregoing facts, we hereby issue a Finding for Adjustment against the following funds in the following amounts: Permissive Motor Vehicle License Tax Fund, \$36,515; APBA Debt Service Loan Fund, \$22,164; and the Sewer Operating Fund, \$8,304, and in favor of the following funds in the following amounts: General Fund, \$7,068; Street Construction Maintenance and Repair Fund, \$33,501; State Highway Fund, \$3,617; Fire Revenue Fund, \$2,901; Water Operating Fund, \$19,300; and the Water County Fund, \$596,

Failure to accurately prepare accounting records and financial statements reduces the accountability over the Village's funds; reduces the Council's ability to monitor financial activity and make informed decisions; increases the likelihood that errors, theft and fraud will occur and not be detected in a timely manner; and increases the likelihood that the financial statements will be misstated.

To strengthen the internal control structure and reduce the likelihood of undetected errors, the Village should refer to the Auditor of State Village Officer's Handbook when posting transactions, review budget to actual reports on a monthly basis, reconcile book to bank statements monthly, and present monthly financial information and reconciliations to the Village Council for review. The Village should review the annual financial statements for accuracy before submitting them to the Auditor of State.

**Officials' Response:**

The Village Clerk will meet with the Clerk of the Mayor's Court and the Treasurer on a monthly basis to review the books and records for accuracy.

<b>Finding Number</b>	<b>2017-007</b>
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**Internal Control Deficiency**

*Reconciliations*

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure the adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**FINDING NUMBER 2017-007**  
**(Continued)**

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primarily control process performed. Failure to complete and accurate and timely reconciliations may result in the occurrence of accounting errors or theft and/or fraud without timely detection. The Village Clerk is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council and/or other administrator is responsible for reviewing the reconciliations and related support.

The Village did not prepare accurate monthly bank to book reconciliations each month of 2017 and 2016:

- The Village recorded adjustments related to the December 31, 2017 reconciliation in the amount of (\$409,134) to the Uniform Accounting Network (UAN) book balance of \$1,044,882. These adjustments were described on the reconciliation as "Mass confusion with using PAYRCOR pay checks and withholdings not recorded in UAN from payroll". The Village did not have sufficient documentation to identify the funds to which the unreconciled amount applied, and therefore was unable to determine an accurate book balance for the individual funds.
- The December 31, 2017 reconciliation included adjustments in the amount of (\$32,924) to the bank balance of \$690,094; however, the Village maintained no supporting documentation for these adjustments.
- At December 31, 2017, the Village listed stale dated outstanding checks totaling \$33,089 on the outstanding check listing.
- The December 31, 2016 reconciliation included adjustments in the amount of (\$907) to the bank balance of \$971,563; however the Village maintained no supporting documentation for these adjustments.

Subsequent to the period under audit, the Village retained the Local Government Services Division of the Auditor of State to perform a proof of cash for the years ended December 31, 2017 and 2016. The proofs of cash were used to help reconcile the Village's cash account at December 31, 2017 and 2016.

The proof of cash for the year ended December 31, 2017 identified numerous errors in posting of receipts and disbursements, including the following:

- Thirteen receipts totaling \$4,161 recorded in the UAN system where the cash was not deposited in the bank.
- Bank deposits in seven different months totaling \$2,379 were not recorded in the UAN system.
- Loan payments in seven different months totaling \$12,404 were not recorded in the UAN system.
- Lease payments in eleven different months totaling \$937 were not recorded in the UAN system.
- Payments to the Ohio Public Employees Retirement System (OPERS) in seven different months totaling \$83,561 were not recorded in the UAN system.
- A payment to the Ohio Police and Fire Pension Fund (OP&F) in the amount of \$784 was recorded in the UAN system but the payment was not made.
- Bank service charges in six different months totaling \$1,095 were not recorded in the UAN system.

**FINDING NUMBER 2017-007  
(Continued)**

- Payments made by Paycor in eight different months totaling \$306,519 were not recorded in the UAN system.
- Receipts in five different months were posted in the UAN system a total of \$179 less than the total receipt amounts.
- Receipts in one month were posted in the UAN system a total of \$67 more than the total receipt amounts.
- Checks from Village customers totaling \$335 were returned by the bank in one month; however, the Village did not record the returned checks in the UAN system.

The proof of cash for the year ended December 31, 2016 also identified numerous errors in posting of receipts and disbursements, including the following:

- A payment to the Internal Revenue Service in the amount of \$5,377 was not recorded in the UAN system.
- Bank deposits in three different months totaling \$722 were not recorded in the UAN system.
- Six receipts totaling \$698 were recorded in the UAN system; however, the cash was not deposited in the bank.
- Loan payments in four different months totaling \$7,088 were not recorded in the UAN system.
- Lease payments in five different months totaling \$358 were not recorded in the UAN system.
- Bank service charges in six different months totaling \$873 were not recorded in the UAN system.
- Receipts in three different months were posted to the UAN system a total of \$468 less than the total of the receipt amounts.
- Receipts in three different months posted to the UAN system a total of \$74 more than the receipt amounts.
- One check and one ACH payment were posted to the UAN system for a total of \$120 less than the total of the two payments.
- Checks in two different months were posted to the UAN system a total of \$1,578 more than the total amount of the checks.
- Checks from Village customers totaling \$326 returned by the bank in two different months were not recorded in the UAN system.
- A credit card payment in the amount of \$80 was not recorded in the UAN system.
- An ACH payment in the amount of \$375 was not recorded in the UAN system.
- Interest income earned on bank deposits in two different months totaling \$78 was not recorded in the UAN system.

**FINDING NUMBER 2017-007  
 (Continued)**

Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk that errors, theft, or fraud could occur over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

To ensure accuracy in financial reporting, the Village Clerk should record all transactions in the UAN system. The Village Clerk should also prepare monthly bank to book cash reconciliations which include all bank accounts and all fund balances. Variances should be investigated, documented, and corrected. In addition, the Council and/or an administrator should review the monthly cash reconciliations, including the related support (such as reconciling items, outstanding checks, and deposits-in-transit) and document in writing the reviews. The Village should refer to Auditor of State Bulletin 91-11 for guidance on accounting for stale dated checks.

**Officials' Response:**

The Village Clerk will meet with the Clerk of the Mayor's Court and the Treasurer monthly to review the books and records for accuracy.

<b>Finding Number</b>	<b>2017-008</b>
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**Internal Control Deficiency**

*Mayor's Court Bank Reconciliations and Accounting for Mayor's Court Activity*

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Failure to complete accurate and timely reconciliations may allow for accounting errors, theft and fraud to occur without timely detection.

The Mayor's Court Clerk is responsible for reconciling the book balance to the bank balance on a monthly basis and the Mayor is responsible for reviewing the reconciliations and related support.

During 2017 and 2016, the Mayor's Court Clerk did not prepare monthly bank reconciliations to reconcile the Mayor's Court bank balance to the book balance in the Mayor's Court Baldwin accounting system.

Also, the Mayor's Court receipts and expenditures reports from the Baldwin accounting system did not correspond to the activity as reported in the Mayor's Court bank statements. The table below reflects the variances notes:

	<b>Per Mayor's Court Bank Statements</b>	<b>Per Baldwin Accounting System Reports</b>	<b>Variance</b>
2017 Receipts	\$121,889	\$119,599	\$2,290
2017 Disbursements	112,144	121,974	(9,830)
2016 Receipts	131,933	127,857	\$4,076
2016 Disbursements	122,668	131,555	(8,887)

**FINDING NUMBER 2017-008  
(Continued)**

Finally, for both 2017 and 2016, the Village did not record in the Uniform Accounting Network (UAN) accounting system a beginning fund cash balance, cash receipts, cash disbursements, and ending fund cash balance for the Mayor's Court and therefore no amounts for Mayor's Court activity and fund cash balances were reported on the 2017 and 2016 financial statements. The Village did not correct the 2017 and 2016 financial statements to add Mayor's Court activity and cash balances in an Agency fund (also noted in Finding 2017-006).

The conditions noted above indicate a failure to properly account for Mayor's Court cash fund balance, cash receipts, and cash disbursements which resulted in errors in financial reporting and an increased risk that additional errors, theft or fraud could occur and not be detected in a timely manner.

We recommend Village officials perform a detailed review of the processes and procedures for accounting for Mayor's Court activity. Controls should be established to ensure the following:

- Bank reconciliations are performed on a monthly basis, reconciled to the Baldwin accounting system book balances, are subject to written review and approval by the Mayor or a supervisor.
- Mayor's Court activity and cash balances are reported in the UAN accounting system as an Agency fund.

**Officials' Response:**

The Village Clerk will meet with the Clerk of the Mayor's Court and the Treasurer on a monthly basis to review the books and records for accuracy.

<b>Finding Number</b>	<b>2017-009</b>
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**Noncompliance**

*Filing of Annual Financial Reports*

**Ohio Rev. Code § 117.38** requires that local public offices file an annual financial report with the Auditor of State (AOS). All entities are required to file annual financial reports with the Auditor of State electronically via the Hinkle Annual Financial Data Reporting System (Hinkle System).

The Village utilized the cash regulatory basis of accounting to comply with the financial reporting requirements. Cash basis regulatory financial statements must be submitted to the Auditor of State within 60 days of fiscal year-end and, and must contain the following:

- Statement or Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - Governmental, Proprietary and Fiduciary, as applicable; and
- Notes to the Basic Financial Statements.

**Ohio Rev. Code § 117.38** imposes a penalty of \$25 per day (\$750 maximum) for entities that file late or fail to file.

Although the Village filed financial statements for 2017 and 2016 by the required date, the financial statements were inaccurate and incomplete. The Village filed no notes to the financial statements for the fiscal year ended December 31, 2016 and the notes to the financial statements for the fiscal year ended December 31, 2017 were incomplete and contained improper references to 2015 and 2014 activity.

**FINDING NUMBER 2017-009  
(Continued)**

Failure to file a complete annual financial report on a timely basis may be an indication that the public office's records have not been maintained sufficiently for audit purposes and may result in the imposition of a penalty and delays in the audit process.

To ensure compliance with the Ohio Revised Code filing requirements, we recommend that the Village review the requirements of Auditor of State Bulletin 2015-007, *Required Annual Financial Report Filing by Public Offices and Other Entities Required to File*.

**Officials' Response:**

The Annual Report will be prepared accurately and timely.

<b>Finding Number</b>	<b>2017-010</b>
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**Internal Control Deficiency**

*Payroll Cycle Disbursements*

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices, and to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and reports its transactions.

We noted the following conditions related to payroll cycle disbursements:

- The Village switched payroll processing from the Uniform Accounting Network (UAN) system to the Paycor system effective for the pay period ended May 15, 2017. However, the Village continued to utilize the UAN system to process some payroll activity after switching to the Paycor system. Also, the Village failed to post payroll data processed through the Paycor system to the UAN general ledger from May of 2017 through the end of 2017.
- The Village posted a payroll in the UAN system on July 17, 2017, for the pay period ended July 31, 2017. The Village also posted this same payroll to the Paycor system on July 14, 2017 for 15 employees paid on a monthly basis. The payroll checks in the UAN system were all marked as cleared even though the Village's bank statements did not indicate the checks cleared. The erroneous monthly gross payroll posted to the UAN system totaled \$10,100.
- The Village made erroneous gross payroll postings in the UAN system as follows:

The Village posted an employee's payroll of \$2,609 for the pay period ended August 25, 2016 twice. One of the payroll amounts was marked as cleared even though the Village's bank statements did not indicate the check cleared.

The Village posted an employee's payroll for the pay period ended November 17, 2016 twice, but for differing amounts; the employee's payroll was posted for \$904 and also for \$1,356. One of the payroll amounts was marked as cleared even though the Village's bank statements did not indicate the check cleared.

**FINDING NUMBER 2017-010  
 (Continued)**

The Village posted an employee's payroll of \$500 for the pay period ended August 31, 2016 twice. One of the payroll amounts was marked as cleared even though the Village's bank statements did not indicate the check cleared.

The Village posted an employee's payroll of \$350 for the pay period ended March 31, 2017 twice. One of the payroll amounts was marked as cleared even though the Village's bank statements did not indicate the check cleared.

The pay rate for an employee was calculated as \$0.05 less than that what was approved for the pay period ended October 7, 2017.

- For ten of 37 (27%) of payroll disbursements tested, the Village paid employees for less than the hours listed on their respective timesheets:

<b>Error</b>	<b>Pay Period Ended</b>	<b>Hours Underpaid</b>	<b>Amount</b>
Employee underpaid	August 6, 2017	(1.0333) hours	\$(13.20)
Employee underpaid	September 9, 2017	(0.31670) hours	(5.32)
Employee underpaid	September 9, 2017	(1.1166) hours	(14.37)
Employee underpaid	October 7, 2017	(1.8167) hours	(30.54)
Employee underpaid	October 7, 2017	(0.6000) hours	(7.72)
Employee underpaid	October 7, 2017	(1.8500) hours	(23.81)
Employee underpaid	December 2, 2017	(5.0501) hours	(96.15)
Employee underpaid	December 2, 2017	(4.8000) hours	(80.69)
Employee underpaid	December 2, 2017	(2.4000) hours	(30.89)
Employee underpaid	December 2, 2017	(1.0) hours	(15.69)
	<b>Total</b>	<b>(19.9834) hours</b>	<b>\$(318.38)</b>

- The Village underpaid a Council Member a total of \$50 in 2017 as follows:

<b>Pay Period Ended</b>	<b>Payment Made</b>	<b>Payment Authorized</b>	<b>Variance</b>
January 31, 2017	\$250	\$300	\$(50)
March 31, 2017	250	300	(50)
April 30, 2017	350	300	50
<b>Total</b>	<b>\$850</b>	<b>\$900</b>	<b>\$(50)</b>

- The Village underpaid the former Mayor \$50 for the pay period ended January 31, 2017.
- For the pay period ended August 25, 2016, the Village failed to provide support for compensatory time paid to an employee. Also, the employee had negative compensatory time balances for all of 2016. Negative compensatory balances indicate that the employee was paid for time not earned or the balances maintained by the Village are not correct. If the negative compensatory time balances are not corrected, the employee could be subject to a finding for recovery upon separation from the Village.
- Also see Findings 2017-001 and 2017-003 regarding payroll overpayments

Failure to maintain accurate payroll records could result in a lack of financial accountability, errors in computing employees' gross pay, and increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner.

We recommend the Village exercise due care in maintaining necessary payroll records and support.

**FINDING NUMBER 2017-010  
(Continued)**

**Officials' Response:**

The Village is now doing payroll in house and has discontinued the use of Paycor. Village payroll records will be examined quarterly to determine accuracy and will be reconciled with the Filings with State, Federal, and Pension Boards.

<b>Finding Number</b>	<b>2017-011</b>
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**Internal Control Deficiency**

*Payroll Cycle*

Attestation standard (AT-C 320) *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Village with reasonable assurance on the payroll system.

The Village delegated payroll processing and reporting, which is a significant accounting function, to a third-party administrator, Paycor Incorporated (Paycor). Paycor received an unmodified Type 2 System and Organization Control (SOC) 1 opinion for the period December 1, 2016 through November 30, 2017. However, the processes of Paycor were designed with the assumption that certain controls would be implemented by the Village.

The Type 2 SOC 1 report identifies user entity controls that should exist at the Village in order for the Village to rely on the Paycor controls; however, the Village failed to implement procedures to ensure controls were in place for payroll processing and reporting.

The Village should establish controls to ensure the following:

- Access to personal computers, terminals, and client networks is properly controlled and restricted to authorized personnel.
- Transactions are properly authorized, complete, and accurate through monitoring performed by Council or an administrator.
- Output reports are timely reviewed for completeness and accuracy, and discrepancies noted are investigated and timely communicated to Paycor.
- Output from applications is regularly balances to relevant control totals.
- Payroll output is retained for a designated length of time to satisfy all Federal, state, and local payroll, workers' compensation, and tax compliance agencies.
- Federal, state, and local employment tax forms, tax documents, tax notices, or other tax correspondence with respect to any tax return or deposit made by Paycor is maintained.

In establishing and implementing controls, the Village should refer to the complementary user entity controls listed in the Paycor Type 2 SOC 1 Report.



**FINDING NUMBER 2017-011  
(Continued)**

**Officials' Response:**

Whereas in 2017 the Village Council contracted with Paycor as a third party administrator, neither the Village Clerk nor the Village Treasurer were trained by Paycor on the payroll system. Paycor lead Council to believe that Paycor would file all payroll reports; however, this did not occur. The Village Clerk had to go back and complete the first quarter of retirement reports which caused a delinquency and finding to the Village. After this incident the Village Clerk would do manual retirement reports and ACH payments to the Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund.

The Village Clerk had to do manual entry to the appropriations to attempt to provide Council with bi-weekly reports of expenditures in an excel spreadsheet format which was used to update the appropriations when reporting to Council. This caused the Village Clerk a lot of wasted time because the State's Uniform Accounting Network (UAN) system was the best.

The Village is in the process of using the UAN system for payroll.

<b>Finding Number</b>	<b>2017-012</b>
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**Noncompliance**

*Local Tax Withholdings and Remittances*

**Village Ordinance 2015-06(B)(1)** states that the annual tax for the Village is to be 1.5%. The tax is to be levied on a uniform rate on all persons residing in or earning or receiving income in the Village of Addyston. The tax is levied on income, qualifying wages, etc.

The Village did not comply with Ordinance 2015-06 as follows:

- Local wages for an employee were under-reported on the W-2 form by \$3,000 and \$1,200 in 2017 and 2016, respectively. Also, the employee's local income tax withholdings were under-withheld by \$18 and \$45 in 2017 and 2016, respectively.
- Local wages for an employee were under-reported on the W-2 form by \$11,940 and \$25,700 in 2017 and 2016, respectively. Also, the employee's local income tax withholdings were under-withheld by \$179 and \$386 in 2017 and 2016, respectively.
- The Village under-paid the May 2017 local income tax remittance by \$13.
- The Village over-paid the November 2016 local income tax remittance by \$20.

Also, the Village did not provide the Regional Income Tax Agency (RITA) Report of Employer Municipal Tax Withholdings Statement for 3 out of 3 (100%) months tested in 2017.

Failure to properly withhold local income taxes results in inaccurate amounts of local taxes being withheld and remitted. We recommend the Village establish procedures to ensure that local income taxes are withheld and remitted properly.

**Officials' Response:**

This matter will be referred to RITA for collection and also direct collection efforts will be made so that any deficiency is paid to RITA (the Village's tax collector for the earnings tax).

<b>Finding Number</b>	<b>2017-013</b>
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**Noncompliance**

*State Tax Withholdings and Remittances*

**Ohio Rev. Code § 5747.13(A)** provides that if any employer collects the tax imposed by section 5747.02 or under Chapter 5748 of the Revised Code and fails to remit the tax as required by law, or fails to collect the tax, the employer is personally liable for any amount collected that the employer fails to remit, or any amount that the employer fails to collect. If any employer, taxpayer, or qualifying entity required to file a return under this chapter fails to file the return within the time prescribed, files an incorrect return, fails to remit the full amount of the taxes due for the period covered by the return, or fails to remit any additional tax due as a result of a reduction in the amount of the credit allowed under division (B) of section 5747.05 of the Revised Code together with interest on the additional tax within the time prescribed by that division, the tax commissioner may make an assessment against any person liable for any deficiency for the period for which the return or taxes are due, based upon any information in the commissioner's possession.

The Ohio IT 501 form (Employer's Payment of State Tax Withheld) states that monthly payments must be remitted by the last day of the following month.

The Village did not comply with Ohio law:

- The Village did not remit April 2017 Ohio state tax withholdings to the Ohio Treasurer of State until June 15, 2017.
- The Village over-reported by \$27 the Ohio state tax withholdings for November 2017 and also over-paid the \$27 to the Ohio Treasurer of State.
- The Village failed to provide for audit the Ohio IT 501 form for three of three (100%) months tested in 2017.

Failure to remit Ohio tax withholdings at the proper amounts and in a timely manner may result in fines and penalties. To avoid unnecessary penalties and related interest expense, we recommend the Village establish procedures to ensure that all liabilities to the Ohio Department of Taxation are reviewed and submitted when required.

This matter has been referred to the Treasurer of State.

**Officials' Response:**

The Village Clerk will contact the Ohio Treasurer of State to resolve this issue and make or document the adjustment(s) on the books and records of the Village when resolved.

<b>Finding Number</b>	<b>2017-014</b>
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**Noncompliance**

*Federal Tax Withholdings & Remittances*

**26 United States Code § 3403** states the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter.

**FINDING NUMBER 2017-014**  
**(Continued)**

**26 United States Code § 3404** states if the employer is the United States, or a State, or a political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having controls of the payment of such wages, or appropriately designated for that purpose.

**Internal Revenue Service (IRS) Notice 931** states that the due date for Form 941 (Employer's Quarterly Federal Tax Return) is the last day of the month following the period for which the return was made. **IRS Notice 931** states that entities under the monthly deposit schedule shall deposit accumulated taxes on payments made during a calendar year by the 15<sup>th</sup> day of the following month.

The Village Clerk is responsible for making timely and accurate payments of federal tax withholdings to the IRS.

We noted the following conditions:

- The Village over-reported by \$156 the August 2017 federal tax withholdings.
- The Village under-reported by \$112 the June 2017 federal tax withholdings.
- The Village under-reported by \$26 the May 2017 federal tax withholdings.
- The Village over-reported by \$124 the November 2016 federal tax withholdings.
- The Village over-reported by \$27 the April 2016 federal tax withholdings.
- The Village did not remit the April 2017 federal tax withholdings until June 15, 2017.
- The Village did not remit the November 2016 federal tax withholdings until January 3, 2017.

Failure to accurately and timely remit federal tax withholdings could result in fines and penalties. We recommend the Village review and submit all liabilities to the IRS when required.

This matter has been referred to the Internal Revenue Service.

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>Finding Number</b>	<b>2017-015</b>
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**Noncompliance**

*Ohio Police and Fire (OP&F) Withholdings and Remittances*

**Ohio Rev. Code § 742.35** provides that each employer shall pay its police officer employers' contribution in monthly payments. The employer shall make each payment not later than the last day of the month after the month for which the police officer employee contributions were withheld. If an employer fails to make the payment installation by the date it is due, a penalty shall be determined and assessed against the employer. In addition, interest on past due accounts and penalties may be charged at a rate determined by the board from the date the payment is due to the date of payment.

The Village did not comply with Ohio law as follows:

**FINDING NUMBER 2017-015  
(Continued)**

- The Village under-paid by \$77 the September 2017 OP&F withholdings.
- The Village over-paid by \$46 the July 2017 OP&F withholdings.
- The Village under-paid by \$1,456 the May 2017 OP&F withholdings.

Failure to remit OP&F withholdings at the proper amounts and in a timely manner may result in fines and penalties. To avoid unnecessary fines and penalties, we recommend the Village establish procedures to ensure that all OP&F withholdings are remitted timely at the proper amount.

This matter has been referred to the Ohio Police and Fire Pension Fund.

**Officials' Response:**

The Village Clerk will contact the Ohio Police and Fire Pension Fund to resolve this issue and make or document the adjustment(s) on the book and records of the Village when resolve.

<b>Finding Number</b>	<b>2017-016</b>
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**Noncompliance**

*Ohio Public Employees Retirement System (OPERS) Withholdings and Remittances*

**Ohio Rev. Code § 145.47(B)** provides that the fiscal officer of each local authority subject to this chapter shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable percent of each contributor's earnable salary at such intervals and in such form as the system shall require. The fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employee, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer is filed thirty days or more after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter.

The Village did not comply with Ohio law as follows:

- The Village under-paid September 2017 OPERS withholdings by \$1,381.
- The Village over-paid July 2017 OPERS withholdings by \$533.
- The Village under-paid May 2017 OPERS withholdings by \$359.
- The Village under-paid December 2016 OPERS withholdings by \$2,373.
- The Village under-paid July 2016 OPERS withholdings by \$5,217.

Failure to remit OPERS withholdings at the proper amounts and in a timely manner may result in fines and penalties. To avoid unnecessary fines and penalties, we recommend the Village review and submit all liabilities to OPERS when required.

This matter has been referred to the Ohio Public Employees Retirement System.

**FINDING NUMBER 2017-016  
(Continued)**

**Officials' Response:**

The Village Clerk will contact the Ohio Public Employees Retirement System to resolve this issue and make or document the adjustment(s) on the books and records of the Village when resolved.

<b>Finding Number</b>	<b>2017-017</b>
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**Noncompliance**

*Form 1099's*

**26 C.F.R. Section 1.6041-1** requires a government to report certain payments of compensation of \$600 or more on a Form 1099.

Due to insufficient policies and procedures, the Village Clerk did not issue Form 1099's for either 2017 or 2016.

To ensure compliance with applicable laws and regulations and to avoid penalties and interest, the Village Clerk should prepare and distribute 1099 Forms in a timely manner.

This matter has been referred to the Internal Revenue Service.

**Officials' Response:**

The Village will implement a policy for the issuance of 1099's through the Village's software. If the Village does not possess the program at the present time, it will be purchased.

<b>Finding Number</b>	<b>2017-018</b>
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**Internal Control Deficiency**

*Budgetary Postings*

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers so as to provide information for budget versus actual comparisons and to allow Village Council to make informed decisions regarding budgetary matters.

The appropriations resolution and subsequent amendments thereto establish the legal spending authority of the Village and the appropriations resolution ledger provides the process by which Council controls spending. It is therefore necessary that the amounts appropriated by Council are precisely stated and accurately posted to the appropriations ledgers.

The original certificate of estimated resources and amendments thereto establish the amounts available for expenditure and the receipts ledgers provides the process by which the Village controls what is available. Therefore, it is necessary that the amounts estimated by the County budget commission are posted accurately to the receipts ledger.

The budgetary amounts posted by the Village to the Uniform Accounting Network (UAN) accounting system did not reflect the official budget as follows:

**FINDING NUMBER 2017-018  
(Continued)**

<b>Fund &amp; Year</b>	<b>Estimated Resources Per Certificate of Estimated Resources</b>	<b>Estimated Resources Posted to UAN Accounting System</b>	<b>Variance</b>
Permissive Motor Vehicle License Tax Fund – 2017	\$36,699	\$23,738	(\$12,961)
Fire Fund – 2017	47,688	\$87,688	40,000

<b>Fund &amp; Year</b>	<b>Per Appropriations Resolution</b>	<b>Appropriations per UAN Accounting System</b>	<b>Variance</b>
General Fund – 2017	\$780,000	\$1,466,448	\$686,448
Street Construction Maintenance & Repair Fund - 2017	21,500	25,300	3,800
Drug Law Enforcement Fund – 2017	2,000	4,500	2,500
Permissive Motor Vehicle License Tax Fund	15,000	5,200	(9,800)
Enforcement & Education Fund – 2017	350	2,000	1,650
Fire Fund – 2017	62,000	103,800	41,800
ABPS Fund – 2017	0	107,000	107,000
HC Storm Water Fund – 2017	0	6,200	6,200
Boat Ramp Fund - 2017	50,000	7,000	(43,000)
Hamilton County Block Grant Fund – 2017	70,400	430,681	360,281
Other Capital Projects – 2017	425,560	0	(425,560)
Water Operating Fund – 2017	110,000	169,733	59,733
Sewer Operating Fund – 2017	154,500	173,808	19,308
Christmas Fund – 2017	1,000	2,000	1,000
General Fund – 2016	1,055,411	1,066,911	11,500
Street Construction Maintenance & Repair Fund – 2016	21,350	21,750	400
Drug Law Enforcement Fund – 2016	3,000	500	(2,500)
Hamilton County Block Grant Fund – 2016	62,827	60,827	(2,000)
Hamilton County SCIP Road Fund - 2016	79,021	5,000	(74,021)

**FINDING NUMBER 2017-018  
 (Continued)**

The Village did not have procedures in place to ensure the accurate posting of authorized budgetary measures to the accounting system. Also, the Village did not include budgetary amounts in the notes to the financial statements submitted for audit. Failure to accurately post the appropriations and estimated resources to the ledgers could result in over-spending and negative cash balances. In addition, failure to disclose budgetary information in the notes to the financial statements does not meet the Auditor of State regulatory basis of accounting disclosure requirements and fails to provide an overview of the Village's compliance with budgetary law.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post estimated resources as certified by the budget commission and appropriations as approved by the Council on a timely basis. The Village should then monitor budget versus actual reports to help ensure that amended certificates of estimated resources and appropriations have been properly posted to the ledgers. In addition, the Village should report the correct amounts in the budgetary footnote. The Village has added the correct budgetary information to the 2017 and 2016 financial statement footnotes.

**Officials' Response:**

The Village worked with the prior audit group to attempt to resolve any deficiency in the Village records. If this issue is not addressed in full, it will be resolved through the transfer of funds through passage of an ordinance.

<b>Finding Number</b>	<b>2017-019</b>
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**Internal Control Deficiency**

*Leave Balances*

The Village should maintain accurate records of the leave balances of each employee.

Effective for the pay period ended May 5, 2017, the Village began to utilize the services of Paycor Incorporated (Paycor) to process the Village's payroll.

The Uniform Accounting Network (UAN) system reported leave balances as of the pay period ended May 5, 2017. Records of leave balances from the Paycor system were not available until after the pay period ended July 14, 2017 and records of leave balances were not maintained in the Paycor system for the pay period ended May 5, 2017 through July 14, 2017. We recalculated leave balances as of December 31, 2017 based on the January 1, 2017 balances per the UAN system, leave accruals based on Village policies, and leave usage based on records of usage, and identified the following variances:

<b>Employee</b>	<b>Type of Leave</b>	<b>Auditor of State Recalculated Balance (Hours) as of December 31, 2017</b>	<b>Paycor Balance (Hours) as of December 31, 2017</b>	<b>Variance (Hours)</b>
Jerome Brinkman	Sick Leave	485.98	584.86	98.88
Jerome Brinkman	Vacation Leave	15.10	0	(15.10)
Gordon Cross	Sick Leave	600.23	665.96	65.73
Gordon Cross	Vacation Leave	456.78	(32.00)	(488.78)
Dorian LaCourse	Sick Leave	459.29	466.86	7.57
Dorian LaCourse	Vacation Leave	192.03	(44.10)	(236.13)
Erin Lowry	Sick Leave	327.70	262.53	(65.17)
Erin Lowry	Vacation Leave	216.88	(32.00)	(248.88)

**FINDING NUMBER 2017-019  
(Continued)**

Inaccurate leave balances could result in employees not receiving leave to which they are entitled, employees receiving more leave than they are entitled to, and underpayments or overpayments of leave balances upon separation from the Village.

The Village should correct employee leave balances and maintain accurate records of leave accumulation, usage, and balances.

**Officials' Response:**

The Village will review all sick and vacation leave records and meet with employees to verify the balance and the Village will independently maintain sick and vacation leave records and review with employees semi-annually.

<b>Finding Number</b>	<b>2017-020</b>
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**Noncompliance**

*Timely Deposits*

**Ohio Rev. Code § 9.38** states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of the daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting the officials who receive monies to hold it past the next business day, but the deposit must be made no later than three days after receiving it. The Village has not established such a policy.

We noted the following:

- The Village did not timely deposit two out of two (100%) of Fines, Licenses, and Permits receipts tested for 2017.
- The Village did not timely deposit one out of two (50%) of Miscellaneous receipts tested for 2017.
- The Village did not timely deposits two out of two (100%) of Fines, Licenses, and Permits receipts tested for 2016.

Failure to deposit public monies with the treasurer of the public office or a designated depository allows funds to remain on hand and increases the risk of theft of such monies.

We recommend the Village deposit all monies received in a timely manner.

**Officials' Response:**

The Village has a new Treasurer and the making of timely deposits will be reviewed. Timely deposits will be made to the Village treasury.



<b>Finding Number</b>	<b>2017-021</b>
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**Noncompliance/Internal Control Deficiency**

*Allocation of Interest*

**Ohio Rev. Code § 5705.10(D)** requires that all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid to the General Fund. Further, 1982 Op. Atty. Gen. No. 82-031 determined that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Village posted all interest to the General Fund in 2017 and 2016. The Street Construction, Maintenance and Repair Fund and the State Highway Fund should have received interest on the principal from the Permissive Motor Vehicle License Tax Fund. The Village's interest revenue totaled \$747 for 2017 and \$507 for 2016.

The amounts to be allocated to funds other than the General Fund were immaterial and the Village did not adjust the financial statements and accounting records.

Failure to post interest to the correct funds may result in noncompliance with the Ohio Revised Code and inaccurate cash balances at the fund level. We recommend the Village establish procedures to ensure that all interest received is posted to the proper fund.

**Officials' Response:**

The Village will post interest when received to the appropriate fund.

<b>Finding Number</b>	<b>2017-022</b>
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**Noncompliance**

*Village Treasurer Training*

**Ohio Rev. Code § 733.81(C)** states that a newly elected or appointed treasurer shall complete at least 6 hours of initial education programs before commencing, or during the first year of office. An additional eighteen hours of continuing education must be completed during the treasurer's first term. Twelve hours of training shall be completed for each subsequent term.

The Village Treasurer did not complete the required continuing education for 2017 and 2016.

Failure to obtain the required continuing education may result in a lack of understanding of reporting and compliance issues relevant to the Village.

We recommend the Village Treasurer obtain the required continuing education.

**Officials' Response:**

Immediate arrangement will be made for the Village Treasurer to attend the first available continuing education program.

<b>Finding Number</b>	<b>2017-023</b>
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**Noncompliance**

*Records Retention Schedule*

**Ohio Rev. Code § 149.43(B)(2)** states that an entity shall have available a copy of its current records retention schedule at a location readily available to the public.

The Village did not have a records retention policy/schedule which was adopted by the Council and posted at a location readily available to the public. Failure to adopt a records retention policy/schedule could result in a lack of knowledge of the procedures for records retention. Also, without a policy over records retention that is posted at a location readily available to the public, the public is unaware of the Village's procedures. We recommend the Village Council adopt a formal records retention policy and post such policy at a location readily available to the public.

**Officials' Response:**

The Village will activate its Records Commission and require meetings semi-annually or more often to address the records of the Village.

<b>Finding Number</b>	<b>2017-024</b>
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**Noncompliance**

*Law Enforcement Trust Fund*

**Ohio Rev. Code § 2925.03(F)(2)** requires a written internal control policy for the receipt and use of drug fine monies receipted in to the Law Enforcement Trust Fund. The policy should address the law enforcement agency's use and disposition of all drug fine moneys received, and require using detailed financial records of the receipts of the fine moneys, the general types of expenditures made of this fine money, and the specific amount of each general type of expenditure. The policy shall not provide for or permit the identification of any specific expenditure made for an ongoing investigation.

**Ohio Rev. Code § 2925.03(F)(1)** requires the clerk of a court to pay any mandatory fine imposed pursuant to division (D)(1) of this section and any fine other than a mandatory fine imposed for a violation of this section pursuant to division (A) or (B)(5) of section 2929.18 of the Revised Code to the law enforcement agency that was primarily responsible for or involved in making the arrest of, and in prosecuting, the offender. However, the Clerk shall not pay a mandatory fine so imposed to a law enforcement agency unless the agency has adopted a written internal control policy under division (F)(2) of this section that addresses the use of the fine moneys that it receives.

The Village did not establish a written internal control policy related to its Law Enforcement Trust Fund. Failure to establish such a policy could lead to ambiguity and misuse related to the expenditures of the Law Enforcement Trust Fund. Furthermore, the absence of a written policy prohibits the Clerk of Courts from paying mandatory fines to the Law Enforcement Trust Fund. We recommend that the Village establish a written internal control policy related to its Law Enforcement Trust Fund and that such policy be approved by Council.

**Officials' Response:**

The Village has a new Chief of Policy and it has been the policy of the Village since 2014 to require all monies to be deposited in to the Village treasury by any Village employee receiving money on behalf of the Village based upon a legal opinion issued by the Village solicitor. The Village Clerk will meet with the Chief of Police to obtain quarterly reports of all monies received.

<b>Finding Number</b>	<b>2017-025</b>
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**Internal Control Deficiency**

*Employee Personnel Files*

The Village Clerk maintains personnel files for Village employees. Employee personnel files should include the following documents: hiring authorizations; authorized pay/salary rates; the department and/or fund to which pay/salary should be charged to; retirement system participation forms; federal, state, and local tax deduction authorizations; and other salary deduction authorizations.

The Village failed to maintain a social security exemption form or pension enrollment form for 4 of 7 (57%) of employees tested.

Failure to maintain social security exemption forms or pension enrollment forms could result in ambiguity as to what pension system the employee is enrolled in and whether payments and withholdings are being properly made.

We recommend the Village Clerk periodically review personnel files to ensure that all required forms are being maintained.

**Officials' Response:**

The Village Clerk will prepare a master sheet for use by the Village to document all forms required and shall review the personnel files annually to ensure all information is updated.

<b>Finding Number</b>	<b>2017-026</b>
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**Internal Control Deficiency**

*Internal Audit Process*

The Village Clerk established written internal audit procedures that state "It shall be the duty of the Finance Committee, no later than the end of the month following the expiration of each quarterly period, to properly audit the books and records of the Village Clerk and Treasurer. The Committee Chair shall submit and read the written report during a regular Council meeting. A motion to accept the audit is required. A copy of the accepted audit shall be included in the Village Minutes".

Contrary to the procedures, the Village Finance Committee failed to conduct quarterly internal audits.

Failure of the Village Finance Committee to follow the internal audit procedures results in a lack of oversight over the Village's internal controls and increases the likelihood of misstatements in the books and records. We recommend the Council formally approve in the minutes the internal audit procedures established by the Village Clerk and that the Finance Committee conduct such quarterly internal audits and provide written reports evaluating the results of the audits to the Council for approval in the minutes.

**Officials' Response:**

The audit procedure will presented to the Village Finance Committee for input and then presented to the full Council at the next regularly scheduled Council meeting for adoption.

<b>Finding Number</b>	<b>2017-027</b>
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**Internal Control Deficiency**

*Audit Committee*

The Village has not formally established an audit committee.

An audit committee should be actively involved in the following:

- Evaluating the Village’s system of internal control and providing recommendations for improvement;
- Meeting with the auditors before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

Failure to establish an audit committee poses a risk to the effectiveness of the system of internal control. We recommend the Village establish an audit committee. The Auditor of State provides guidance on audit committees in the Audit Committee Toolkit available at <https://www.ohioauditor.gov/publications.html>.

**Officials’ Response:**

The Village has a Finance Committee which reviews all finances of the Village. The additional title of Audit Committee will be established for the Finance Committee at its next regularly scheduled meeting.

<b>Finding Number</b>	<b>2017-028</b>
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**Noncompliance**

*Expenditures in Excess of Appropriations*

**Ohio Rev. Code § 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations at December 31, 2017, in the following fund:

<b>Fund</b>	<b>Expenditures plus Encumbrances</b>	<b>Appropriations</b>	<b>Variance</b>
Fire Fund	\$69,281	\$63,842	(\$5,439)

Expenditures in excess of appropriations may result in overspending and deficit fund balances.

The Village should routinely compare actual expenditures to current appropriations and amend appropriations as needed.

**Officials’ Response:**

All monies received as the result of the Village fire levy are paid to Miami Township for fire protection and it is documented in the agreement between the Village and Miami Township. The Village will make an adjustment through an ordinance in the event that monies were not appropriated.

<b>Finding Number</b>	<b>2017-029</b>
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**Noncompliance**

*Accuracy of W-2 Forms*

**26 C.F.R. § 31.6051-1**, requires employers to accurately report gross wages on employee W-2 forms.

The Village reported inaccurate amounts on certain 2017 and 2016 W-2 forms. The variances identified are noted in the tables below.

Name	2017 Gross Wages Paid	2017 W-2 Box 5 Medicare Wages	Variance (Under)
Lisa Mear	\$4,000	\$3,650	\$(350)
Eric Winhusen	8,580	7,980	(600)

Name	2016 Gross Wages Paid	2016 W-2 Box 5 Medicare Wages	Variance - Over
James Blanton	\$36,159	\$38,768	\$2,609
Howard Jackson	16,206	17,563	1,357
Walter Wurster	6,000	6,500	500

Failure of the employer to accurately report wages and compensation on the employee W-2 form may result in errors in amounts reported by the employee to the Internal Revenue Service and also in fines and penalties to the Village as the employer.

We recommend the Village establish controls to ensure that wages and compensation paid to employees are accurately reported on W-2 forms. Such controls might include reviewing Internal Revenue Service reporting guidelines and procedures for verification of the accuracy of W-2 forms prior to issuing the W-2 form to the employee.

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>Finding Number</b>	<b>2017-030</b>
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**Noncompliance**

*Failure to Properly Encumber*

**Ohio Rev. Code § 5705.41(D)(1)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issues in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code as noted below:

**FINDING NUMBER 2017-030**  
**(Continued)**

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve the payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year.

More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In addition, Ohio Rev. Code § 5705.36(A)(1) requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

The Village did not follow established procedures for certifying expenditures and none of the exceptions above applied. Of the expenditures tested, the Village Clerk did not certify one of four expenditures (25%) in 2017 and two of ten expenditures (20%) in 2016. Also, the Village failed to properly encumber \$6,391 for the General Fund at December 31, 2017 and \$8,318, \$551, and \$9,822 for the General Fund, Water Operating Fund, and Sewer Operating Fund, respectively, at December 31, 2016. In addition, none of these amounts were properly certified to the County Budget Commission on the Certificate of the Total Amount from All Sources Available.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Village Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used. Failure to properly certify encumbrances could result in budgetary spending violations and negative fund balances.

**FINDING NUMBER 2017-030  
(Continued)**

Village officials and employees should obtain the Village Clerk's certification of the availability of funds prior to any commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language which 5705.41(D) requires to authorize disbursements. The Village Clerk should sign the certification prior to the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. Also, the Village Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

The Village should exercise due care when preparing and submitting the Certificate of the Total Amount from All Sources Available to the County Budget Commission.

**Officials' Response:**

The Village will implement a then and now ordinance and a certification process which will be approved by Village Council. The Village Clerk shall utilize the process implemented by Council.

<b>Finding Number</b>	<b>2017-031</b>
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**Noncompliance**

*Destruction of Records*

**Ohio Rev. Code § 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.

The Village failed to provide the following records for audit:

- Duplicate receipts for utility receipts received by cash, check and money orders for both 2017 and 2016.
- Regional Income Tax Agency (RITA) documentation (Monthly Distribution Summary Report) for one of nine (11.1%) income tax receipts tested for 2017.
- Timesheets for three out of 37 employee pays (8.1%) tested in 2017.
- One of thirteen (7.7%) Mayor's Court receipts tested in 2017.
- Ordinance or Resolution for the approval of Mayor's Court Fines for 2017.
- One invoice for a credit card expenditure in 2017.
- Timesheet for two employees' pay for the pay period ended August 11, 2016.
- Pay Ordinance for Village Council compensation in 2016.

Failure to maintain proper documentation could result in an inability to support the actions taken by the Village, and in noncompliance. The Village should develop policies and procedures outlining the security of all records or maintain a written inventory of all records, noting a description of each record and the location of each record. In addition, all records should be maintained in a secure central location, such as locked file cabinets or in a locked office with access limited to specific officials and/or personnel. Further, disposal of such records should be made only in accordance with an approved records retention schedule.

**FINDING NUMBER 2017-031  
(Continued)**

**Officials' Response:**

The Village will work with its IT person to scan all records and have a paper backup of the records.

<b>Finding Number</b>	<b>2017-032</b>
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**Noncompliance**

*Village Clerk Training*

**Ohio Rev. Code § 733.27** states that the village clerk shall attend training programs for new village clerks and annual training programs of continuing education for village clerks that are provided by the auditor of state pursuant to section 177.44 of the Revised Code.

The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only (Ohio Rev. Code §135.22):

- (1) Interim deposits pursuant to Ohio Rev. Code § 135.14(B)(3) or 135.145 (CDAR and similar programs);
- (2) STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6);
- (3) No-load money market mutual funds pursuant to Ohio Rev. Code §135.14(B)(5).

The Village Clerk did not complete an exemption or the required training for 2016.

We recommend the Village Clerk obtain the required training.

**Officials' Response:**

The Village Clerk will attend the first training session available. The Village Clerk did attend the October 2017 training session in Columbus, Ohio.

<b>Finding Number</b>	<b>2017-033</b>
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**Noncompliance**

*Negative Fund Balance*

**Ohio Rev. Code § 5705.10(I)** requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.



**FINDING NUMBER 2017-033  
 (Continued)**

The Village had a deficit fund balance of (\$596) in the County Water Fund (fund 5102) at December 31, 2017. Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure and control, such as the Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance. Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Village should refer to the Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**Officials' Response:**

All accounts will be monitored monthly and no payments from any fund will occur until sufficient monies are appropriated and money is available in the fund.

<b>Finding Number</b>	<b>2017-034</b>
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**Noncompliance**

*Public Records Training*

**Ohio Rev. Code § 149.43(E)(1)** requires all elected officials or their designees to attend at least 3 hours of training on Ohio's Public Records Laws during each term of office.

The Village Mayor and elected Council members did not attend training on Ohio's Public Records Laws and also did not designate someone to attend on their behalf during their respective terms of office.

Failure to attend Public Records Training could result in violations of the Ohio Public Records Laws and possible litigation.

We recommend the Village Mayor and Council members, or their designee(s), attend all required Ohio Public Records Laws training for each term of office.

**Officials' Response:**

The Council and the Mayor will be notified to attend the first available public records seminar. The following persons attended the May 28, 2020 training session at Three Rivers Local School District and obtained a certificate of completion: Dan Pillow, Ann Pillow, Pam Jackson, Margaret Ann Dozier, and Lisa Mear.

<b>Finding Number</b>	<b>2017-035</b>
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**Internal Control Deficiency**

*Governmental Fund Balance Classifications*

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent as outlined in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and as further explained Auditor of State Bulletin 2011-004.

**FINDING NUMBER 2017-035  
(Continued)**

We noted the following conditions:

- The Drug Law Enforcement Fund had a fund balance of \$9,210 at December 31, 2017 which was classified as restricted for Road Maintenance and Improvements. The balance should have been reported as restricted for Drug and Alcohol Education and Enforcement.
- General Fund outstanding encumbrances of \$113,805 at December 31, 2017 and \$32,579 at December 31, 2016 should have been classified as assigned fund balance.

Failure to properly report fund balances results in misleading financial statements. We recommend the Village adhere to the requirements of GASB Statement No. 54 to ensure fund balances are accurately classified.

**Officials' Response:**

The Village will make the required adjustments to its records and document it in the entries in the Village records and by ordinance if required.

<b>Finding Number</b>	<b>2017-036</b>
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**Finding for Recovery/Repaid Under Audit**

*Village Clerk Credit Card Payment*

Governmental entities may not make expenditures of public monies unless they are for a valid public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074. Ohio Rev. Code § 9.39; State ex rel. *Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the person who unlawfully obtained such funds or property. See 1980 Op. Att'y. Gen. No. 80-974.

Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court Case of *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. As stated in *McClure*, "generally, a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants . . . . " *Id.* at 325. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

Village Clerk Margaret Dozier made a \$276 personal charge to the Village's PNC credit card account in 2017.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Margaret Dozier, Village Clerk, in the amount of \$276 and in favor of the Village of Addyston, General Fund.

**FINDING NUMBER 2017-036  
(Continued)**

Ms. Dozier reimbursed the Village \$276 on October 31, 2019 after auditors informed her of the personal charge to the Village credit card.

**Officials' Response:**

The monies will be repaid and the Village Clerk will monitor every credit card statement purchases and document the use of the credit card charges by whom made and report any suspected purchases on the Village credit card monthly to Village Council. The \$276 was repaid by the Village Clerk.

<b>Finding Number</b>	<b>2017-037</b>
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**Internal Control Deficiency**

*Credit Card Policy*

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village had several credit cards that were assigned to certain employees who make purchases on behalf of the Village. However, the Village did not have a written credit card policy in place. Failure to establish a written credit card policy may result in ambiguity regarding the types of purchases that may be made with credit cards, who is authorized to use credit cards, the supporting documentation required to document a credit card expenditure, the process for approval of credit card expenditures, and in potential misuse of credit cards.

In order to prevent unauthorized credit card purchases, we recommend the Village establish a written list of authorized credit card users and a policy that specifies the proper procedures for use of credit cards. The Village should comply with Ohio Rev Code § 717.31, *Policies for use of municipal corporation credit card accounts* effective November 2, 2018, which requires political subdivisions holding credit cards to adopt a written policy not later than February 2, 2019. Guidance for implementation of these policies can be found in Auditor of State Bulletin 2018-003.

**Officials' Response:**

The Village Clerk will monitor every credit card statement purchases and document the use of the credit card charges by whom made and report any suspected purchases on the Village credit card monthly to Village Council.

<b>Finding Number</b>	<b>2017-038</b>
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**Noncompliance/Internal Control Deficiency**

*Mayor's Court*

**Ohio Rev. Code § 733.40** states that all monies collected shall be paid by the mayor to the municipality 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.

**FINDING NUMBER 2017-038**  
**(Continued)**

**Ohio Rev. Code § 1907.24(C), 2303.201(C), 2743.70 (A), 2949.091(A)-(B), and 3109.14** state that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

**Ohio Rev. Code § 1901.261** allows the Mayor's Court to collect and requires Mayor's Court to remit court computerization cost on all cases to the Village Computerization Fund.

We identified the following conditions related to the above criteria:

- The Monthly Mayor's Court reports submitted to Council during 2017 and 2016 did not include a detailed list of individuals from whom money was collected and the purpose for which such money was collected.
- The Court collected various fines that were to be remitted to the State under Ohio Rev. Code § 2949.091, 2743.070 and 3949.094. The Court did not remit collections to the State by the twentieth date of the month following collections for five of the 12 (42%) months in 2017, including November and December of 2017 for which the Court failed to remit \$3,353 of the aforementioned fines to the State.
- The Court collected monies for various fines and court costs from citations issued by the Village Police Department. The Court failed to remit collections to the Village on the first day of the month following the collections for nine of 12 months (75%) in 2017 and nine of 12 months (75%) in 2016.
- The Village failed to establish a Court Computerization Fund. All Court Computerization money was deposited in to the Village General fund.

The Village should ensure that compliance requirements for the Mayor's Court are met by requiring an administrator or the Mayor to review the applicable requirements of the Ohio Rev. Code and to monitor adherence to those requirements.

We recommend the Village refer to Auditor of State Bulletins 2005-003, 1997-019, and 1993-02 for guidance regarding court computerization fees.

This matter has been referred to the Treasurer of State.

**Officials' Response:**

The Village Clerk and Treasurer will audit the Mayor's Court account.

<b>Finding Number</b>	<b>2017-039</b>
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**Noncompliance**

*Minute Records*

**Ohio Rev. Code § 121.22 (C)** requires that the minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. While the Village maintained minutes of regular and special meetings, certain Village's minutes were incomplete and not signed by at least two Village officials to certify that the minutes were approved as prepared:

**FINDING NUMBER 2017-039  
(Continued)**

- There was one instance in 2017 where the Mayor failed to sign the minutes.
- There was one instance in 2017 where a monthly financial report was not provided to the Village Council.

Failure to obtain the required signatures for the minutes records could result in possible omissions or alterations to the minute records. Failure to provide the Village Council with a monthly financial report limits the Council's ability to properly monitor the financial activity of the Village.

We recommend Village officials establish procedures to ensure that all required signatures for the minutes are obtained. In addition, the Village Clerk should ensure the Council is provided with a monthly financial report.

**Officials' Response:**

The Village will develop uniform forms for all committees of the Village Council. Minutes will be signed at the meeting when approved by Village Council, and compliance with the foregoing will be included in the policy and procedures manual of the Village.

<b>Finding Number</b>	<b>2017-040</b>
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**Internal Control Deficiency**

*Disaster Recovery Plan*

Adequate plans should exist for the recovery of critical computer resources following an event that disrupts data processing services for an extended period of time, including facility destruction. The lack of a plan could result in the Village's inability to reestablish systems essential to data processing in an efficient manner.

During the audit period, the Village used Baldwin software for the Mayor's Court, Quikwater software for the Utilities Department, and the Universal Accounting Network (UAN) for the Village accounting software. However, the Village did not have a documented disaster recovery plan for any of these systems. Without a recovery plan, the Village may not be able to recover critical computer functions and data in the event of a disaster.

We recommend the Village adopt a disaster recovery plan for all of its computer systems to adequately address contingencies following a disruption to its data processing functions. Such a plan should, at a minimum, address the following:

- Prioritize application processing based on a study of all critical applications to assess the maximum period the Village can afford an absence of its data processing functions.
- Document procedures for restoring applications data and system backups.
- Document procedures for daily operations, including operator duties.
- Implement a secured reciprocal agreement with a neighboring entity, using a comparable computer system to share computer facilities in the event of a disaster.
- Identify persons responsible for implementing the plan following a disaster and procedures for providing those persons with a copy of the plan and making them aware of their duties.

**FINDING NUMBER 2017-040  
 (Continued)**

Several copies of the disaster recovery plan should be maintained off-site in the event that on-site copies are destroyed during a disaster. Also, the provisions of the disaster recovery plan should be updated and tested periodically to ensure that the plan is current and will function as intended by management.

**Officials' Response:**

The Village Council and administrative staff will meet with the Village IT person and develop a backup plan in compliance with the foregoing finding.

<b>Finding Number</b>	<b>2017-041</b>
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**Internal Control Deficiency**

*Controls Over Utility Receipts Cycle and Utility Charges*

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village did not implement adequate internal controls as evidenced by the following related to utilities:

- The Village did not maintain duplicate receipts for receipts of cash, check, or money order (also noted in Finding 2017-031).
- The Village did not reconcile utility receipts posted to the Quikwater computer billing system to the bank deposits or to the receipts posted to the Uniform Accounting Network (UAN) accounting system. Utility receipts posted to the Quikwater computer billing system were higher than the amounts posted to the UAN system by \$115,826 and \$11,498 in 2017 and 2016, respectively.
- In July of 2017, 27 of 273 (9.9%) of receipts posted to the Quikwater computer billing system totaling \$2,570 could not be traced to any supporting documentation.
- In July of 2017, 3 of 273 (1.1%) of receipts posted to the Quikwater computer billing system totaled \$47,405 more than the supporting documentation.
- In July of 2017, 21 of 245 (8.6%) of receipts were posted to the Quikwater computer billing more than one day after the bank deposit was made. The delays in posting receipts to the Quikwater computer billing system were as high as 33 days after the bank deposit was made.
- In July of 2017, 96 of 245 (39.2%) of bank deposits were made after the posting to the Quikwater computer billing system. The delays in posting receipts were as high as 19 days after the posting to the Quikwater computer billing system.
- The Village did not use Quikwater computer billing system reports to support receipts and deposits made. Therefore, the Village was unable to support the allocation of utility receipts between the Water Operating Fund and Sewer Operating Fund.
- In 2016, 16 of 65 (24.6%) of customer utility billings tested were charged an incorrect rate. For the billings tested, the total amount undercharged was \$1,210 and the total amount overcharged was \$5.

**FINDING NUMBER 2017-041  
(Continued)**

- In 2017, 16 of 63 (25.4%) of customer utility billings tested were charged an incorrect rate. For the billings tested, the total amount undercharged was \$228 and the total amount overcharged was \$317.
- In 2016, debit and credit adjustments to the Quikwater computer billing system totaled \$606,120 and \$692,975, respectively. In 2017, debit and credit adjustments to the Quikwater computer billing system totaled \$59,357 and \$197,405, respectively. The Village maintained no documentation for the approval and validity of these adjustments.

Failure to establish processes, procedures, and controls over the accounting of utility receipts has resulted in the following: (1) an inability to support utility receipts, including the allocation of utility receipts to the Water Operating Fund and Sewer Operating Fund; (2) an inability to support that all receipts were posted to the Quikwater computer billing system and the UAN accounting system; (3) an inability to support the validity and approval of debit and credit adjustments to the customer utility accounts; and (4) an inability to support that all receipts were deposited to the bank in a timely manner. Lack of adequate controls increases the risk that errors, theft or fraud could occur, and not be detected in a timely manner.

We recommend Village officials perform a detailed review of the processes and procedures for accounting for utility receipts and establish controls to ensure the following:

- Duplicate receipts are issued for all utility payments received from customers.
- Daily detailed utility reports from the Quikwater computer billing system are prepared to support daily receipts, bank deposits, and postings to the UAN accounting system.
- Daily receipt postings and daily bank deposits are made in a timely manner.
- Allocation of utility receipts between the Water Operating Fund and Sewer Operating Fund are properly made.
- Periodic supervisory review of utility rates charged are performed, including supervisory approval of any manual changes to utility rates.
- Reconciliations of daily receipts posted to the Quikwater computer system to bank deposits and postings to the UAN accounting system are performed and reviewed and approved in writing by a supervisor.
- Adjustments to the customer utility accounts are adequately documented and approved. Adjustment forms should be completed and approved by a supervisor and a record of adjustments made should be printed and submitted to the Board of Public Affairs for approval. In addition, a person independent of the adjustments processes should reconcile authorized adjustments to the adjustments posted to the Quikwater computer billing system to ensure that only authorized adjustments were made.

**Officials' Response:**

The Village Council, the Addyston Board of Public Affairs, and Administrative Staff will meet with the Village's Information Systems employee and develop a plan in compliance with the foregoing findings.

<b>Finding Number</b>	<b>2017-042</b>
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**Noncompliance**

*Social Security Exemption*

**Ohio Rev. Code § 145.034** states that public employees may elect to have earnings exempted from contributions to the Ohio Public Employees Retirement System (OPERS) by filing with the public employees retirement board a written request bearing a signature. The request shall be filed not later than ninety days after the date the member becomes subject to such tax on wages.

Village employee Luke Buhrlage had a total of \$52 withheld for Social Security in addition to OPERS withholdings for pay periods ending December 6, 2017 and December 20, 2017. The Village remitted the \$52 employer portion of Social Security in addition to the employer portion of OPERS. The employee was enrolled in OPERS and should not have had any Social Security withheld.

We recommend the Village take due care to contribute to the correct retirement system.

**Officials' Response:**

The file of Luke Buhrlage will be reviewed and any adjustments to correct the records/contributions of Mr. Buhrlage will be addressed by the Village Clerk.

<b>Finding Number</b>	<b>2017-043</b>
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**Noncompliance**

*Compensation of the Board of Public Affairs*

**Ohio Rev. Code § 735.29** states that the board of trustees of public affairs shall manage, conduct, and control the waterworks, electric light plants, artificial or natural gas plants, or other similar public utilities, furnish supplies of water, electricity, or gas, collect all water, electric, and gas rents or charges, and appoint necessary officers, employees, and agents.

The board may make such bylaws and rules as it determines to be necessary for the safe, economical, and efficient management and protection of such works, plants, and public utilities. These bylaws and rules, when not repugnant to municipal ordinances or to the constitution or laws of this state, shall have the same validity as ordinances.

The Board of Public Affairs (BPA) has exclusive authority to appoint and remove its officers, employees, and agents, but Village Council creates the positions, determines the number of members of the Board and employees, and also is responsible for determining compensation.

The Village BPA passed Ordinance 2017-01 on January 14, 2017, for the compensation of the members of the Board and for the Water Operator. However, we were unable to obtain evidence that the Village Council approved the compensation of the Board members and of the Water Operator.

Failure of Village Council to approve compensation for the members of the BPA and for the Water Operator results in a lack of oversight by Village Council. We recommend the Village Council approve all compensation as required.

**Officials' Response:**

The Village Clerk will review the report of the Addyston Board of Public Affairs and, if there is a deficiency in the approval by Village Council, it will be addressed. A copy of the finding will be sent to the members of the Addyston Board of Public Affairs to clearly demonstrate Council's role in setting salaries.



<b>Finding Number</b>	<b>2017-044</b>
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**Internal Control Deficiency**

*Collection of Mayor's Court Fines*

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices.

We noted the following condition:

- One of 12 tickets tested (8.3%) in 2017 was incorrectly assessed a fine of \$155 when the legislatively agreed upon amount was \$185.

Charging incorrect fines related to violations results in a loss of revenue for the Village as well as potential litigation issues.

We recommend due care be exercised when assessing and collecting fines.

**Officials' Response:**

This matter will be referred to the Village Solicitor to address procedures within the Mayor's Court and reviewed by the Magistrate to determine compliance.

<b>Finding Number</b>	<b>2017-045</b>
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**Internal Control Deficiency**

*Information System Controls*

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of fund balances and periodically reconciling them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

We noted the following internal control deficiencies related to information systems software utilized by the Village:

- The Village did not compare system reports from the Baldwin system, the Mayor's Court computer system, to underlying source documentation.
- The Village had not developed any formal security policies related to Baldwin, the Mayor's Court computer system or Quikwater, the Utilities Department computer system, nor did the Village have procedures in place to monitor unauthorized access to these computer systems.

Failure to periodically compare systems information to source documentation increases the likelihood of misstatements as well as fraud, waste, and abuse. Failure to develop and implement formal security policies could lead to unauthorized access to financial data which also increases the risk of fraud, waste, and abuse.

We recommend the Village compare system reports from the Mayor's Court computer system to the underlying source documentation for accuracy of input. We also recommend the Village design and implement formal security policies related to all information systems software utilized by the Village.

**FINDING NUMBER 2017-045  
(Continued)**

**Officials' Response:**

We did not receive a response from Officials to this finding.

VILLAGE OF ADDYSTON  
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 & 2016

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2015-01	Proper posting of financial activity	No	Reissued as Finding 2017-006.
2015-02	Negative Fund Balances	No	Reissued as Finding 2017-033.

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF ADDYSTON**

**HAMILTON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 10/8/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)