



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Bailey Lakes
Ashland County
1244 Second Street
PO Box 989
Ashland, Ohio 44805

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Bailey Lakes, Ashland County, Ohio, (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2011 and 2010 and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2011 and December 31, 2010 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2010 beginning fund balances recorded in the Fund History Report to the December 31, 2009 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2011 and 2010 fund cash balances reported in the Fund History Reports. The amounts agreed.
4. We confirmed the December 31, 2011 bank account balance with the Village's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2011 bank reconciliation without exception.

Cash (continued)

5. We noted the one outstanding check from the December 31, 2011 bank reconciliation was greater than one year old, dating back to back to October 2010. We recommend the Village develop a written policy regarding writing off of old or stale checks following the guidance provided for in Auditor of State Management Advisory Services Bulletin 91-11. This bulletin indicates that pursuant to Ohio Rev. Code Section 9.39 unclaimed money shall be deposited to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the General Fund.
6. We selected all two reconciling credits (such as deposits in transit) from the December 31, 2011 bank reconciliation:
 - a. We traced each credit to the subsequent January bank statement. We found no exceptions.
 - b. We agreed the credit amounts to the Revenue History Report. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2011 and one from 2010:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue History Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue History Report to determine whether it included two real estate tax receipts for 2011 and 2010. We noted the Revenue History Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2011 and five from 2010.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue History Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Ashland County Auditor for Local Government Revenue to the Village during 2011 and 2010 with the Ashland County Auditor. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Water and Sewer Fund

1. We haphazardly selected 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2011 and 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2010 recorded in the Cash Received Balance Report and determined whether the:
 - a. Receipt amount per the Cash Received Balance Report agreed to the amount recorded to the credit of the customer's account in the Account History Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Account History Report for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus unpaid prior billings. We found no exceptions.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. The Village utility system does not maintain an aging accounts receivable report that reports the total amount of receivables unpaid. We recommend the Village retain or prepare an aging schedule of unpaid accounts receivable each year and present the report to Council for their review.
3. We read the monthly Cash Received Balance Reports.
 - a. We noted this report listed a total of \$2,874 and \$162 non-cash receipts adjustments for the years ended December 31, 2011 and 2010, respectively.
 - b. We selected five non-cash adjustments from 2011 and all three non-cash adjustments from 2010, and noted that Council did not formally approve any adjustments by motion in the minutes. We recommend that Council approve all adjustments to utility accounts by a motion in the minutes to document approval of adjustments. Council should also establish by Ordinance or resolution, its policy for vacant properties that still maintain utility service.

Debt

1. From the prior audit debt summary, we noted the following loans outstanding as of December 31, 2009. These amounts agreed to the Village's January 1, 2010 balances on the summary we used in step 3.

<u>Issue</u>	<u>Principal outstanding as of December 31, 2009:</u>
OWDA Cap Project Loan	\$2,960
Huntington Bank Loan	4,232

2. We inquired of management, and scanned the Revenue History Report and Budget History Report for evidence of debt issued during 2011 or 2010 or debt payment activity during 2011 or 2010. All debt noted agreed to the summary we used in step 3.
3. We prepared a summary of note debt activity for 2011 and 2010 and agreed principal and interest payments from the related debt amortization schedules to the water and sewer fund payments reported in the Budget History Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2011 and one payroll check for five employees from 2010 from the Budget History Report and:
 - a. We compared the hours and pay rate, or salary recorded on the supporting voucher documentation to legislatively-approved rate or salary. We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the Budget History Report. We found no exceptions.
 - c. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2011 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2011. We noted the following:

Withholding (plus employer share, where applicable)	<u>Date Due</u>	<u>Date Paid</u>	<u>Amount Due</u>	<u>Amount Paid</u>
Federal income taxes & Medicare	January 31, 2012	January 17, 2012	\$398.40	\$398.40
State income taxes	January 31, 2012	January 20, 2012	180.02	180.02
OPERS retirement	January 30, 2012	December 13, 2011	58.33	58.33

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Budget History Report for the year ended December 31, 2011 and ten from the year ended 2010 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Budget History Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. We found all disbursements requiring certification were not certified. Ohio Rev. Code Section 5705.41(D) which requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Monthly Revenue Statement. We found the Village did not record the amounts on the *Certificate* in the accounting system. The fiscal officer should record amounts on the *Certificate* in the accounting system and periodically compare amounts recorded in the Monthly Revenue Statement to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We scanned the appropriation measures adopted for 2011 and 2010 to determine whether, for the General Fund, State Highway Improvement Fund and Water Fund, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Monthly Financial Statement for 2011 and 2010 for the following funds: General Fund, Street Construction Maintenance and Repair Fund, and Water Fund. The amounts on the appropriation resolutions agreed to the amounts recorded in the Monthly Financial Statement report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General Fund, Street Construction Maintenance and Repair Fund, and Water Fund for the years ended December 31, 2011 and 2010. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2011 and 2010 for the General Fund, Street Construction Maintenance and Repair Fund, and Water Fund, as recorded in the Monthly Financial Statement. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue History Report for evidence of new restricted receipts requiring a new fund during December 31, 2011 and 2010. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2011 and 2010 Revenue History Report and Budget History Report for evidence of interfund transfers exceeding \$1,000 which Ohio Rev. Code Sections 5705.14 -- .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Budget History Report to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.

Compliance – Contracts & Expenditures

1. We inquired of management and scanned the Budget History Report for the years ended December 31, 2011 and 2010 for material or labor procurements which exceeded \$25,000 (\$50,000 effective September 29, 2011), and therefore required competitive bidding under Ohio Rev. Code Section 731.14.

We identified no purchases subject to the aforementioned bidding requirements.

2. We inquired of management and scanned the Budget History Report for the years ended December 31, 2011 and 2010 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

Officials' Response: The outstanding check referred to in cash step 5 was voided and will be receipted back into the accounting system to clear this matter. The Village will implement the use blanket purchase orders and the Village will implement procedures to approve utility adjustments by motion at monthly meetings.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

June 11, 2012



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VILLAGE OF BAILEY LAKES

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 03, 2012**