



Dave Yost • Auditor of State





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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Lakengren Water Authority  
Preble County  
24 Lakengren Drive  
Eaton, Ohio 45320

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Lakengren Water Authority (the Authority), on the receipts, disbursements and balances recorded in the Authority's cash basis accounting records for the year ended December 31, 2016 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Authority. The Authority is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the year ended December 31, 2016 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Authority. 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 recalculated the December 31, 2016 bank reconciliation. We found no exceptions.
2. We agreed the January 1, 2016 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2015 balances in the documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions.
3. We agreed the totals per the bank reconciliation to the total of the December 31, 2016 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We confirmed the December 31, 2016 bank account balances with the Authority's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2016 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2016 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.

### **Cash (Continued)**

6. We traced interbank account transfers occurring in December of 2016 to the accounting records and on each bank statement to determine if they were properly recorded. We found no exceptions.

### **Special Assessments, Intergovernmental and Other Confirmable Cash Receipts**

1. We haphazardly selected a Special Assessment receipt from one Special Assessment Apportionment Report (the Report) for 2016:
  - a. We traced the gross receipts from the Report to the amount recorded in the Receipt Detail Report. The amounts agreed.
  - b. We inspected the Receipt Detail Report to confirm the receipt was allocated to the proper fund(s) as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We inspected the Receipt Detail Report to confirm the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Detail Report to determine whether it included two special assessment receipts for 2016. The Receipt Detail Report included the proper number of special assessment receipts for each year.
3. We haphazardly selected five receipts from the County Auditor's Detail Expense Report from 2016.
  - a. We compared the amount from the above report to the amount recorded in the Receipt Detail Report. The amounts agreed.
  - b. We inspected the Receipt Detail Report to determine whether these receipts were allocated to the proper fund(s). We found no exceptions.
  - c. We inspected the Receipt Detail Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

### **Charges for Services**

1. We haphazardly selected 10 water and sewer collection cash receipts from the year ended December 31, 2016 recorded in the Receipt Detail Report and:
  - a. Agreed the receipt amount per the Receipt Detail Report to the amount recorded to the customer's account in the Payment Register 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 plus any applicable late penalties. We found no exceptions.
  - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We inspected the Aged Receivables Summary Report.
  - a. This report listed \$87,766 of accounts receivable as of December 31, 2016.
  - b. Of the total receivables reported in step 2a, \$4,895 was recorded as more than 90 days delinquent as of December 31, 2016.
3. We inspected the Adjustment Transaction List Condensed Report.
  - a. This report listed a total of \$12,030 non-cash receipts adjustments for the year ended December 31, 2016.

**Charges for Services (Continued)**

- b. We haphazardly selected five non-cash adjustments from 2016, and noted that the Board of Trustees approved each adjustment from August to December at the end of month meeting, however it was noted the Board of Trustees did not review or approve adjustments on customer accounts from January through the end of July. The Authority should ensure that all adjustments are reviewed and approved by the Board of Trustees to help prevent unauthorized and/or improper adjustments.

**Debt**

- 1. From the prior agreed-upon procedures documentation, we observed the following bonds and loans outstanding as of December 31, 2015. These amounts agreed to the Authority's January 1, 2016 balances on the summary we used in step 3.

| Issue                               | Principal outstanding as of December 31, 2015: |
|-------------------------------------|--|
| Series 2008 A Untaxed Revenue Bonds | \$124,000                                      |
| Series 2008 B Taxed Bonds           | 26,000   |
| OWDA                                | 1,027,923                                      |

- 2. We inquired of management, and inspected the Receipt Detail Report and Payment Register Detail Report for evidence of debt issued during 2016 or debt payment activity during 2016. All debt observed agreed to the summary we used in step 3.
- 3. We obtained a summary of bonded and loaned debt activity for 2016 and agreed principal and interest payments from the related debt amortization schedules to Chase Bond Retirement Untaxed, Chase Bond Retirement Taxed and Special Assessment WTP Funds payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Authority made the payments. We found no exceptions.

**Payroll Cash Disbursements**

- 1. We haphazardly selected one payroll check for five employees from 2016 from the Wage Withholding Detail Report and:
  - a. We compared the hours and pay rate, or salary amount recorded in the Wage Withholding Detail Report to supporting documentation (timecard, or legislatively approved rate or salary). We found no exceptions.
  - b. We inspected the Wage Withholding Detail Report to confirm whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files. We also confirmed the payment was posted to the proper year. We found no exceptions.
- 2. For any new employees selected in step 1 we compared the following information in the employees' personnel files to confirm it was consistent with the information used to compute gross and net pay related to this check:
  - a. Name
  - b. Authorized salary or pay rate
  - c. Account(s) and fund(s) to which the check should be charged
  - d. Retirement system participation and payroll withholding
  - e. Federal, State & Local income tax withholding authorization and withholding
  - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above.

**Payroll Cash Disbursements (Continued)**

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2016 to confirm 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 of 2016. We observed the following:

| <b>Withholding<br/>(plus employer share,<br/>where applicable)</b>                                     | <b>Date<br/>Due</b> | <b>Date<br/>Paid</b> | <b>Amount<br/>Due</b> | <b>Amount<br/>Paid</b> |
|--|---------------------|----------------------|-----------------------|------------------------|
| Federal income taxes & Medicare<br>(and social security, for employees not enrolled in pension system) | January 31, 2017    | December 30, 2016    | \$6,463               | \$6,463                |
| State income taxes   | January 15, 2017    | January 13, 2017     | \$1,169               | \$1,169                |
| Ohio School District Income Tax  | January 15, 2017    | January 13, 2017     | \$813                 | \$813                  |
| Local income tax   | January 31, 2017    | January 13, 2017     | \$37                  | \$37                   |
| OPERS retirement   | January 30, 2017    | January 26, 2017     | \$6,948               | \$6,948                |

4. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Wage Detail Report:
- Accumulated leave records
  - The employee's pay rate in effect as of the termination date
  - The Authority's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

**Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2016 and determined whether:
- The disbursements were for a proper public purpose. We found no exceptions.
  - 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 Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
  - 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.
  - The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

**Compliance – Budgetary**

1. We compared the total estimated receipts from the *Final Approved Revenue Budget*, required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Cash Income Water and Cash Income Sewer funds for the year ended December 31, 2016. The amounts agreed.

### **Compliance – Budgetary (Continued)**

2. We inspected the appropriation measure adopted for 2016 to determine whether, for the General, Water Operating and Sewer Operating funds, the Trustees appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.28(B)(2), 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2016 for the following funds: General, Special Assessment WTP and Cash Income General/Admin. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code Section 5705.28(B)(2)(c) prohibits appropriations from exceeding the estimated revenue available for expenditure (receipts plus beginning unencumbered cash). We compared total appropriations to total estimated revenue for the General, Chase Bond Retirement Untaxed and Chase Bond Retirement Taxed Funds for the years ended December 31, 2016. Appropriations did not exceed estimated revenue.
5. Ohio Rev. Code Sections 5705.28(B)(2) and 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, 2016 for the General, Cash Income Water and Cash Income Sewer, as recorded in the Appropriation Status Report. Expenditures did not exceed appropriations.
6. We inspected the Cash Summary by Fund Report for the year ended December 31, 2016 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. There were no funds having negative cash fund balances.

### **Other Compliance**

Ohio Rev. Code Section 117.38 requires entities to file their financial information in the HINKLE system within 60 days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within 150 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Authority's deadline where the initial filing was filed on time but incomplete. We confirmed the Authority filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the year ended December 31, 2016 in the Hinkle system. There were no exceptions.

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

This report is for the use of the Authority to assist in evaluating its receipts, disbursements and balances recorded in their cash-basis accounting records for the year ended December 31, 2016, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 13, 2017





# Dave Yost • Auditor of State

LAKENGREN WATER AUTHORITY

PREBLE 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  
SEPTEMBER 28, 2017