



OHIO AUDITOR OF STATE
KEITH FABER



OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Botkins
Shelby County
210 South Mill Street
P.O. Box 190
Botkins, Ohio 45306

We have performed the procedures enumerated below, which were agreed to by the Village Council, Mayor and the management of the Village of Botkins (the Village), on the receipts, disbursements and balances recorded in the Village's cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Village. The Village is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Village. 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 and Investments

1. We recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the YTD Fund Report to the December 31, 2016 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the YTD Fund Report to the December 31, 2017 balances in the YTD Fund Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the YTD Fund Report. The amounts agreed.
4. We confirmed the December 31, 2018 bank account balances with the Village's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2018 bank reconciliation without exception.
5. We selected a sample (agreed upon) of five reconciling debits (such as outstanding checks) from the December 31, 2018 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statements. 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.

Efficient

Effective

Transparent

Cash and Investments (Continued)

6. We traced interbank account transfers occurring in December of 2018 and 2017 to the accounting records and bank statements to determine if they were properly recorded. We found no exceptions.
7. We inspected investments held at December 31, 2018 and December 31, 2017 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

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 2018 and one from 2017:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue History Report. The amounts agreed.
 - b. We inspected the Revenue History Report to confirm 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 inspected the Revenue History Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Revenue History Report to determine whether it included two real estate tax receipts for 2018 and 2017. The Revenue History Report included the proper number of tax receipts for each year.
3. We selected a sample (agreed upon) of five receipts from the State Distribution Transaction Lists (DTL) from 2018 and five from 2017. We also selected a sample (agreed upon) of five receipts from the Shelby County Appropriation History Report from 2018 and five from 2017.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue History Report. The amounts agreed.
 - b. We inspected the Revenue History Report to determine that these receipts were allocated to the proper funds. We found no exceptions.
 - c. We inspected the Revenue History Report to determine whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Ohio Public Works Commission (the Commission) to the Village during 2018 with the Commission. We found no exceptions.
 - a. We inspected the Revenue History Report to determine whether these receipts were allocated to the proper fund. We found no exceptions.
 - b. We inspected the Revenue History Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

1. We obtained the December 31, 2018 and 2017 Report of the Department of Taxation, submitted by the City of St. Marys, the agency responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes per year to the Village's Revenue History Report. The amounts agreed.

Income Tax Receipts (Continued)

2. We compared the allocation of income tax receipts for the years ended December 31, 2018 and 2017 to the Village's funds according to the allocation requirements of Resolution No. 06-23. The allocation agreed with the percentages the Resolution requires.

Water and Sewer Fund

1. We selected a sample (agreed upon) of 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2018 and 10 Water and Sewer Fund collection cash receipts from the year ended 2017 recorded in the Cash Receipts Journal and determined whether the:
 - a. Receipt amount per the Cash Receipts Journal agreed to the amount recorded to the credit of the customer's account in the Customer Account History. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the New Charge Report & Penalty Post Journal 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 any applicable late penalties, 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. We observed the Delinquent Utility Accounts Report and New Charges Report.
 - a. This report listed \$174,715 and \$149,202 of accounts receivable as of December 31, 2018 and 2017, respectively.
 - b. Of the total receivables reported in the preceding procedure, \$0 and \$0 were recorded as more than 90 days delinquent.
3. We observed the Summary of Adjustments Analysis Report.
 - a. This report listed a total of \$1,690 and \$1,370 non-cash receipts adjustments for the years ended December 31, 2018 and 2017, respectively.
 - b. We selected a sample (agreed upon) of five non-cash adjustments from 2018 and five non-cash adjustments from 2017, and observed that the Utilities Director approved each adjustment.

Debt

1. From the prior agreed-upon procedures documentation and applicable debt amortization schedules, we observed the following loans were outstanding as of December 31, 2016. These amounts agreed to the Village's January 1, 2017 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2016:
OWDA Loan - Water Tower	\$87,208
OWDA Loan - Water Treatment Plant	\$225,802
OWDA Loan - WPCLF Construction	\$1,068,151
Bank Loan - Fire Truck	\$24,904
OPWC Loan- Edgewood Street Reconstruction	\$70,000

Debt (Continued)

2. We inquired of management, and inspected the Check Register Report and Revenue History Report for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. All debt agreed to the summary we used in procedure 3. However, we also noted that proceeds from a bank loan in the amount of \$664,394 for the purchase of land was not recorded on the Village's accounting system in 2017. The Village should record all Village debt proceeds on its accounting system, even when the Village does not actually receive cash debt proceeds. A corresponding memo expense should also be recorded on the Village's accounting system when the debt proceeds are passed directly from the bank to a third party.
3. We obtained a summary of loan debt activity for 2018 and 2017 and agreed principal and interest payments from the related debt amortization schedules to the Capital Improvement Fund, Capital Improvement – Fire Fund, Sewer Fund, and Water Fund payments reported in the Check Register Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
4. For new debt issued during 2018 and 2017, we inspected the debt legislation, which stated the Village must use the proceeds for water treatment plant improvements and a land purchase. We inspected the Check Register Report and observed the Village's payments for water treatment plant improvements in 2018. However, as noted in item 2 above, the payment for the land purchase was not recorded on the Village's accounting system in 2017.

Payroll Cash Disbursements

1. We selected one payroll check for five employees from 2018 and one payroll check for five employees from 2017 from the Detailed Hours Pay Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Detailed Hours Pay Report to supporting documentation (timecard, legislatively-approved rate or salary). We found no exceptions.
 - b. We inspected the fund and account codes to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' personnel files and minute record. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in procedure 1 we inspected the employees' personnel file for the following information and compared it with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary
 - c. Departments and funds 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 procedures a. – f. above.

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 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 during 2018. We observed the following:

Payroll Cash Disbursements (Continued):

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2019	January 14, 2019	\$12,318	\$12,318
State income taxes	January 15, 2019	December 27, 2018	\$463	\$463
School district income taxes	January 31, 2019	December 27, 2018	\$309	\$309
Village of Botkins income taxes	January 15, 2019	December 27, 2018	\$696	\$696
OPERS retirement	January 30, 2019	December 28, 2018	\$5,208	\$5,208
OP&F retirement	January 31, 2019	December 27, 2018	\$2,075	\$2,075

4. We 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 Detailed Hours Pay Report
 - a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Village's payout policy.

Non-Payroll Cash Disbursements

We selected a sample (agreed upon) of 10 disbursements from Check Register by Date Report for the year ended December 31, 2018 and 10 from the year ended 2017 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 Check Register by Date 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. 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 *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue History Report for the General, Street Maintenance and Repair and State Highway funds for the years ended December 31, 2018 and 2017. The amounts agreed.

Compliance – Budgetary (Continued)

2. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether, for the General, Street Maintenance and Repair and State Highway funds, 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 Budget History Report for 2018 and 2017 for the following funds: General, Street Maintenance and Repair, and State Highway. The amounts on the appropriation resolutions agreed to the amounts recorded in the Budget History 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, Street Maintenance and Repair and State Highway funds for the years ended December 31, 2018 and 2017. There were 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, 2018 and 2017 for the General, Street Maintenance and Repair and State Highway fund, as recorded in the Budget History Report. We observed no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Revenue History Report for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. We also inquired of management regarding whether the Village received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the YTD Fund Report for the Library Stofer Fund and Library Sheets Fund. Not more than 5% of non-spendable monies were released, spent, or otherwise modified during the engagement period.
9. We inspected the 2018 and 2017 Revenue History Report and Budget History Report for evidence of interfund transfers 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 (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
10. We inquired of management and inspected the YTD Fund Report to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Village did not establish these reserves.

Compliance – Budgetary

11. We inspected the YTD Fund Report for the years ended December 31, 2018 and 2017 for negative cash fund balance. Ohio Rev. Code Section 5705.10(l) 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.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Budget History Report for the years ended December 31, 2018 and 2017 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.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires villages to file their financial information in the Hinkle System within 60 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, regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed the Village filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the years ended December 31, 2018 and 2017 in the Hinkle system. There were no exceptions.
2. We inquired of the fiscal officer and inspected the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. Fiscal Officer obtained the required training.
3. For all credit card accounts we obtained:
 - copies of existing internal control policies,
 - a list(s) of authorized users, and
 - a list of all credit card account transactions.
 - a. We inspected the established policy(ies) obtained above and determined it is:
 - i. in compliance with the HB 312 statutory requirements, and
 - ii. implemented by the entity.

We determined that the Village does not have an approved credit card policy. The Village should develop and approve a credit card policy to meet all requirements of HB 312. The Village should refer to HB 312 and Auditor of State Bulletin 2018-003 to develop a proper credit card policy. Failure to do so could result in unauthorized and improper use of credit cards.
 - b. We selected 3 credit card transactions in 2018 and 3 credit card transaction in 2017 for testing. For selected transactions we inspected documentation to determine that:
 - i. Use was by an authorized user within the guidelines established in the policy, and
 - ii. Each transaction was supported with original invoices and for a proper public purpose.

Other Compliance (Continued)

As identified above in item 3a, the Village does not have an approved credit card policy. We found no other 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 Village'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 to provide assistance in the evaluation of the Village's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 1, 2019

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF BOTKINS

SHELBY 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 16, 2019**