



Dave Yost • Auditor of State





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

Village of Lakeview  
Logan County  
125 North Main Street  
PO Box 197  
Lakeview, Ohio 43331

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Village of Lakeview (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, 2015 and 2014 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 and Investments

1. We tested the mathematical accuracy of the December 31, 2015 and December 31, 2014 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2014 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2015 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2014 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2015 and 2014 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2015 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, 2015 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 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 Payment Register Detail, to determine the debits were dated prior to December 31. We noted no exceptions.

### Cash and Investments (Continued)

6. We selected all reconciling credits (such as deposits in transit) from the December 31, 2015 bank reconciliation:
  - a. We traced each credit to the subsequent January or February bank statement. The reconciling credit could not be traced to the subsequent bank statements as it was an adjusting factor to the bank balance to account for unrecorded activity. The adjusting factor was corrected by making a fund balance adjustment to account for the unrecorded activity as follows: decrease in fund balances for the Enterprise Deposit Fund (\$415.86), Water Operating Fund (\$228.49), Electric Operating Fund (\$533.15), and General Fund (\$84.54). The Village has posted the required adjustments to the accounting records.
  - b. We agreed the credit amounts to the Receipts Register. The reconciling credit could not be agreed to the Receipts Register as it was an adjusting factor to the bank balance to account for unrecorded activity. The adjusting factor was corrected as noted above.
7. We tested interbank account transfers occurring in December of 2015 and 2014 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
8. We tested investments held at December 31, 2015 and December 31, 2014 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 and Intergovernmental Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2015 and one from 2014:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. In 2015, the tax receipt amount was overstated as it included homestead and rollback reimbursements. The General fund tax receipt was posted at \$13,884. It should have been posted at \$11,947, which resulted in an overstatement of \$1,937 to tax revenue and the associated fees. The Village should post tax receipts at the gross distribution amount with a corresponding disbursement for tax fees to properly present financial activity. Additionally, homestead and rollback reimbursements should be posted as intergovernmental revenues.
  - b. We determined whether 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 determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Register Report to determine whether it included two real estate tax receipts for 2015 and 2014. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2015 and five from 2014. We also selected five receipts from the County Auditor's Vendor Expense Report from 2015 and five from 2014.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.

### **Property Taxes and Intergovernmental Receipts (Continued)**

- b. We determined whether these receipts were allocated to the proper funds. Ohio Rev. Code §5705.10(D) states except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Additionally, Ohio Rev. Code §5735.27 governs gasoline tax and highway funds. In 2014, a gasoline tax receipt in the amount of \$1,074 was posted to the State Highway fund that should have been posted to the Street Construction Maintenance and Repair fund. The Village should record receipts appropriately to each fund as required. The Village has appropriately adjusted its accounting records to account for the error.
- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

### **Income Tax Receipts**

1. We selected five income tax returns filed during 2015 and five from 2014.
  - a. We compared the payment amount recorded on the tax return to the amount recorded on the cash register book. The amounts agreed.
  - b. We compared the cash deposit slip total attached to copies of receipts from the cash register book from step a. to the amount recorded as income tax receipts in the Receipt Register Report for that date. The amounts agreed.
2. We determined whether the receipts were recorded in the year received. We found no exceptions.
3. We selected five income tax refunds from 2015 and five from 2014.
  - a. We compared the refund paid from Payment Register Detail Report to the refund amount requested in the tax return. The amounts agreed.
  - b. We noted each of the refunds were approved by the Tax Administrator.
  - c. We noted the refunds were paid from the Income Tax Fund, as is required.

### **Water and Electric Operating Fund**

1. We haphazardly selected 10 Water and Electric Operating Fund collection cash receipts from the year ended December 31, 2015 and 10 Water and Electric Operating Fund collection cash receipts from the year ended 2014 recorded in the Receipt Register Report and determined whether the:
  - a. Receipt amount per the Receipt Register Report agreed to the amount recorded to the credit of the customer's account in the Summary Cash Receipts Journal. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the Utility Billing 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.

**Water and Electric Operating Fund (Continued)**

2. We read the Detail Open Account Receivable by Account Report.
  - a. We noted this report listed \$99,931 and \$126,414 of accounts receivable as of December 31, 2015 and 2014, respectively.
  - b. We are unable to determine the amount of accounts receivable that is more than 90 days delinquent due to the lack of aging information provided by the Village accounts receivable system. Without accounts receivable aging information, the Village lacks reliable information on overdue amounts and information upon which to judge whether the Village should write off or follow up on collectible amounts. The Village should obtain software modifications to provide this information.
  
3. We read the Utility Bill Adjustment Journal Consolidate Report.
  - a. We noted this report listed a total of \$2,598 and \$10,920 non-cash receipts adjustments for the years ended December 31, 2015 and 2014, respectively.
  - b. We selected five non-cash adjustments from 2015 and five non-cash adjustments from 2014, and noted that the adjustments were approved verbally by the Village Administrator, however, there were no initials or signatures that document the approval. The Administrator should initial and/or sign adjustments documenting approval of changes. In addition, Council should approve the adjustments to ensure proper accountability.

**Debt**

1. From the prior audit documentation, we noted the following loans outstanding as of December 31, 2013. These amounts agreed to the Villages January 1, 2014 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2013:
OWDA #3417	\$158,956
OWDA #5790	2,403,318
OPWC	28,125
Bank Loan – Equipment	60,991

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. All debt noted agreed to the summary we used in step 3.
  
3. We obtained a summary of loan debt activity for 2015 and 2014 and agreed principal and interest payments from the related debt amortization schedules to Income Tax fund, Water Operating fund, Enterprise Debt Service fund, and Water Treatment Plant fund payments reported in the Payment Register Detail 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. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Street Construction Maintenance & Repair fund per the Receipt Register Report. The amounts agreed.
  
5. For new debt issued during 2015 and 2014, we inspected the debt legislation, noting the Village must use the proceeds to complete the Main Street reconstruction project. We scanned the Payment Register Detail Report and noted the Village completed the Main Street reconstruction project.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2015 and one payroll check for five employees from 2014 from the Wage Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We determined 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, minute record or as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.
  
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files or minute record 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. Department(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 that the Village did not maintain documentation of retirement system participation for two of the new employees tested. The Village should ensure that OPERS enrollment forms are completed and maintained to support retirement system participation and payroll withholding.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2015 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 2015. We noted the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2016	November 2, 2015	\$2,432.35	\$2,432.35
		December 2, 2015	\$2,522.11	\$2,522.11
		December 30, 2015	\$4,528.87	4,528.87
State income taxes	January 15, 2016	December 31, 2015	\$675.14	\$675.14
Village of Lakeview income tax	January 31, 2016	December 31, 2015	\$717.08	\$717.08
School District Income tax	January 15, 2016	December 31, 2015	\$51.80	\$51.80
OPERS retirement	January 30, 2016	January 11, 2016	\$4,799.22	\$4,799.22

### Payroll Cash Disbursements (Continued)

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:
  - a. Accumulated leave records
  - b. The employee's pay rate in effect as of the termination date
  - c. The Village's payout policy.

The termination payment was for accumulated unused sick and vacation leave. The amount paid was consistent with the information recorded in a. through b. above. The Village's policy permits payment of unused sick and vacation leave; however, the Village's policy governing sick leave states that sick leave unused at the end of the year may be carried over into the next year, to a maximum of 15 days, or as required by law. For the employee receiving the termination payment, the amount of sick leave hours carried over to the beginning balance in 2015 exceeded the maximum 15 days per the policy. We recommend the Village review the leave records of all employees to ensure that balances are carried over in accordance with the Village's policy.

### Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2015 and ten from the year ended 2014 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 Payment Register Detail 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 7 instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) 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 Revenue Status Report for the General, Income Tax and Electric Operating funds for the years ended December 31, 2015 and 2014. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General and Electric Operating funds. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund and Electric Operating funds of \$236,313 and \$1,110,659.19 for 2014, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$237,365 and \$1,110,000, respectively. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report 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.



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

2. We scanned the appropriation measures adopted for 2015 and 2014 to determine whether, for the General, Parks and Recreation and Permissive Motor Vehicle License Tax 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 Appropriation Status Report for 2015 and 2014 for the following funds: General, Water Improvement, and Water Treatment Plant funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report except for the General and Water Improvement funds. The Village’s approved General and Water Improvement fund appropriations were \$439,250 and \$30,000 in 2014, respectively. The approved General fund appropriations were \$434,160 in 2015. The Appropriation Status Report recorded General and Water Improvement fund appropriations of \$439,794 and \$70,000 in 2014, respectively, and General fund appropriations of \$435,710 in 2015. The Fiscal Officer should periodically compare amounts recorded in the Appropriation Status Report to approved appropriations to assure they agree. If the amounts do not agree, Council may be using inaccurate information for budgeting and monitoring.
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, State Highway and Water Operating funds for the years ended December 31, 2015 and 2014. 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, 2015 and 2014 for the General, State Highway and Water Operating fund, as recorded in the Appropriation Status Report. 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 Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2015 and 2014. 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 2015 and 2014 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$5,000 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 Appropriation Status Reports 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.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2015 and 2014 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. We noted no funds having a negative cash fund balance.

### **Compliance – Contracts & Expenditures**

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2015 and 2014 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**

Ohio Rev. Code Section 117.38 requires villages to file their financial information in the HINKLE system formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed AFDRS to verify the Village filed their financial information within the allotted timeframe for the years ended December 31, 2015 and 2014. No exceptions noted.

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

Columbus, Ohio

August 5, 2016



# Dave Yost • Auditor of State

**VILLAGE OF LAKEVIEW**

**LOGAN 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  
AUGUST 25, 2016**