



Dave Yost • Auditor of State



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Village of Palestine
Darke County
PO Box B
Palestine, Ohio 45352

We have completed certain procedures in accordance with Ohio Rev. Code Section 117.01(G) to the accounting records and related documents of the Village of Palestine, Darke County, Ohio (the Village) for the years ended December 31, 2016 and 2015.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code Section 117.11(A). Because our procedures were not designed to opine on the Village's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Village's financial statements, transactions or balances for the years ended December 31, 2016 and 2015.

The Village's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code Section 117.11(A) is to examine, analyze and inspect these records and documents.

Current Year Observations

1. We noted that General Fund disbursements in the amount of \$63,536 exceeded appropriations of \$34,210 by \$29,326 for 2016. **Ohio Rev. Code §5705.41(B)** prohibits expenditures from exceeding appropriations. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
2. **Ohio Rev. Code §117.38** states, in part, that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. Also, the report shall be filed with the auditor of state within sixty days after the close of the fiscal year. **Auditor of State Bulletin 2015-007** states, in part, that Regulatory Cash Basis Entities should file basic financial statements, including Statement(s) (or Combined Statement(s)) of Receipts, Disbursements and Changes of Fund Balances – Governmental, Proprietary and Fiduciary, as applicable, and Notes to the Basic Financial Statements. The 2015 annual financial report was filed on September 30, 2016, which was after the sixty day filing deadline. In addition, the 2015 filing did not include the required basic financial statements and notes to the financial statements. For 2016, the Village did not file the required basic financial statements and notes to the basic financial statements with the Auditor of State's office until June 1, 2017. The Village should implement procedures to ensure that the annual financial report is filed on the Hinkle System in a timely manner and that all filings include the required basic financial statements and notes to the basic financial statements.
3. During 2015 the Village paid a portion of the street lighting disbursement from the State Highway Fund. Only the portion related to street lights that are located on the Village's state highways should be paid from the State Highway Fund. The remainder of the invoice should be charged to

the Street Fund. The Village should properly allocate street lighting expenses to the Street and State Highway Funds.

4. During 2015 and 2016, the Village transferred \$2,500 from the Street Fund to the General Fund in each year. **Ohio Rev. Code §5705.16** does not permit this transfer without approval of the Tax Commissioner and the Court of Common Pleas. The Village did not obtain this approval. We therefore requested management to adjust this amount to the Street Fund. We noted the fiscal officer adjusted this amount on April 24, 2017. For the transfer that was made during 2015, the Village Council approved in the minutes the transfer of \$1,000 from the Street Fund to the General Fund; however, the actual amount transferred was \$2,500. The Fiscal Officer and Village Council should implement procedures to ensure that only proper transfers are made and transfers are made only in amounts approved by Council.
5. In 2015, the Village's part-time maintenance employee was paid from the General Fund and the Street Fund; however, these charges were not distributed based upon the work that was performed for the pay period. We noted that the part-time employee also performed work related to the Village's park; however, the Park Fund was not charged for work was performed. In addition, Ohio Public Employees Retirement System withholding was paid entirely from the General Fund rather than being allocated between the General Fund and the Street Fund in the same manner as the monthly payroll was allocated. The Village should clarify on the employee's time sheet the fund for which each category of work performed is to be charged.
6. The Village entered into a loan agreement on May 9, 2016 for the purchase of a truck. The Village did not record the loan proceeds in the amount of \$5,245 in their accounting records. Also, the Village did not record the on-behalf payment to the Ohio Department of Transportation in the amount of \$5,000 for the purchase of the truck and the loan fees in the amount \$245 in their accounting records. The Village should implement procedures to ensure that all receipts and disbursements are properly posted to the Village's accounting records.
7. During 2015, the Village posted \$1,129 in State and Local Government Highway Distribution and \$1,026 in Gasoline Excise Tax receipts to the General Fund rather than allocating the receipts to the Street and State Highway Funds. In 2016, the Village posted \$2,155 in State and Local Government Highway Distribution to the General Fund rather than allocating the receipts to the Street and State Highway Funds. Also during 2016 the Village posted \$690 in Supplemental Local Government Funds to the Street and State Highway Funds rather than the General Fund. We requested management to adjust these amounts in the accounting records. We noted the Fiscal Officer adjusted these amounts on April 24, 2017.

Current Status of Matters we Reported in our Prior Engagement

1. In the prior audit, we noted that General Fund appropriations exceeded estimated resources for the year ended December 31, 2014. For December 31, 2016, General Fund appropriations of \$34,210 exceeded estimated resources of \$32,344 by \$1,866. **Ohio Rev. Code §5705.39** limits appropriations to estimated resources. Because appropriations authorize spending, appropriating more than estimated resources potentially authorizes deficit spending. The Village should reduce appropriations to the amount of estimated resources.
2. During the prior audit, we identified that the Village's reconciled bank balance was \$632 more than the balance reported on the Village's books. We examined the Village's bank reconciliations prepared as of December 31, 2016 and December 31, 2015. We identified that the Village's reconciled bank balance each year was \$1,251 more than the balance reported on the Village's books. Also during the prior audit, we identified that the Village only included the checking account balance on the month-end bank reconciliation. The Village's money market savings account was not included in the bank reconciliation process. We identified during the current audit that only the checking account was included on the month-end bank reconciliation. The

money market savings account was not included in the bank reconciliation process during the current audit period. The Village should include all bank accounts on its month-end reconciliation to determine that total Village fund balances reconcile with total bank balances. The Village should also identify and correct any unreconciled variances during the month-end reconciliation process. Failure to do so could result in undetected errors or irregularities.

3. In the prior audit, the Village did not incorporate budgeted receipts or appropriations into its manual or computer accounting system, to track budget versus actual receipts and expenditures throughout the year. During the current audit period, the Village did not incorporate budgeted receipts or appropriations into the manual or computer accounting system. The Village should include estimated receipts and appropriations in the accounting system so that members of Council and other officials can make informed decisions and avoid potential deficit spending.

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

June 1, 2017

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VILLAGE OF PALESTINE

DARKE 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
JUNE 13, 2017