



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Allen Water District
Allen County
3230 North Cole
Lima, Ohio 45801

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of the Allen Water District (the District), on the receipts, disbursements and balances recorded in the District's cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the District. The District is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to these transactions and balances included in the information provided to us by the District. 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, 2017 and December 31, 2016 bank reconciliations for the District's Chase Business Classic checking account. We found no exceptions. We attempted to test the mathematical accuracy of the December 31, 2017 and December 31, 2016 bank reconciliations for the remaining bank accounts held by the District. Reconciliations were not prepared for these accounts.
2. We agreed the January 1, 2016 beginning balances recorded in the General Ledger Report to the December 31, 2015 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, 2017 beginning balances recorded in the General Ledger Report to the December 31, 2016 balances in the General Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2017 and 2016 cash balances reported in the General Ledger Report for the District's Chase Business Classic checking account. The amounts agreed. We attempted to agree the totals per the bank reconciliations to the total of the December 31, 2017 and 2016 cash balances recorded in the General Ledger Report for the remaining bank accounts held by the District; however, reconciliations were not prepared for these accounts.

Cash (Continued)

4. We confirmed the December 31, 2017 bank account balances with the District's financial institution. We found no exceptions. We also agreed the confirmed balance to the amount appearing in the December 31, 2017 bank reconciliation without exception for the District's Chase Business Classic checking account. We also attempted to agree the confirmed balances to the amounts appearing in the December 31, 2017 bank reconciliation for the remaining bank accounts held by the District; however, reconciliations were not prepared for these accounts.
5. We traced interbank account transfers occurring in December of 2017 and 2016 to the accounting records and bank statements to determine if they were properly recorded. We found no exceptions, except during December 2017, we noted a transfer out of the Allen Water District Project Fund bank account into the Chase Business Classic checking account of \$237,992.30. This transfer was recorded in the General Ledger Report as \$240,942.30. Failure to properly record transfers on the accounting records could result in reconciliation discrepancies. The District should implement procedures to ensure all transactions are recorded properly.

Special Assessments Cash Receipts

1. We haphazardly selected a special assessment receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2017 and one from 2016:
 - a. We attempted to trace the gross receipts from the *Statement* to the amount recorded in the General Ledger Report; however, we determined that the District posted the receipts at net of fees versus gross. Special assessments receipts should be reported at the gross amount collected by the County Auditor with the related auditor and treasurer fees withheld by the County Auditor being recorded as disbursements. In 2017, the 1st Half Real Estate receipts for special assessments were recorded at the net amount and tax collection fees were not recorded which resulted in the understatement of receipts and disbursements by \$9,612. In 2016, the 1st Half Real Estate receipts for special assessments were recorded at \$359,969, while the *Statement* reflected gross receipts of \$417,872 and net receipts of \$408,417. Due to the variance identified, the 2nd Half Real Estate receipts for special assessments were also selected. The 2nd Half Real Estate receipts for special assessments were recorded at \$404,054, while the *Statement* reflected gross receipts of \$363,115 and net receipts of \$355,605. The total for the 1st and 2nd Half Real Estate receipts per the *Statements* agreed to the total net amount recorded in the General Ledger Report. The receipts for the 1st and 2nd Half Real Estate receipts for special assessments were recorded at the net amount and tax collection fees were not recorded which resulted in the understatement of receipts and disbursements by \$16,964.

The failure to record property tax receipts at the gross amount resulted in the understatement of activity in the accounting records. The failure to properly record receipts in the accounting records could result in the financial statements being materially misstated.

The *Statement of Semiannual Apportionment of Taxes* should be reviewed to help ensure that receipts are recorded at the gross amount and related deductions are recorded as disbursements. The *Statement of Semiannual Apportionment of Taxes* should also be reviewed to help ensure that the receipts are properly recorded and labeled in the accounting records and that the accounting records agree to the *Statement of Semiannual Apportionment of Taxes*.

- b. We inspected the General Ledger 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.

Special Assessments Cash Receipts (Continued)

- c. We inspected the General Ledger Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.

Charges for Services

- 1. We obtained the December 31, 2017 and 2016 glTransactionSelect reports submitted by the City of Lima, the entity responsible for collecting the fees on behalf of the District. We agreed the total gross fees per year to the District's General Ledger Report. The amounts agreed.

Debt

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

Issue	Principal outstanding as of December 31, 2015:
OWDA Loan #1445	\$43,223
OWDA Loan #1446	2,067
OWDA Loan #1447	332,296
OWDA Loan #1448	189,044
OWDA Loan #1449	46,636
OWDA Loan #2139	76,610
OWDA Loan #2961	48,187
OWDA Loan #2975	264,921
OWDA Loan #3017	432,894
OWDA Loan #3018	56,159
OWDA Loan #3036	42,196
OWDA Loan #3111	71,661
OWDA Loan #3129	68,317
OWDA Loan #3130	53,846
OWDA Loan #3131	284,327
OWDA Loan #3132	213,430
OWDA Loan #3209	101,829
OWDA Loan #3210	98,338
OWDA Loan #3230	377,407

Debt (Continued)

OWDA Loan #3297	45,364
OWDA Loan #3874	151,040
OWDA Loan #3910	119,573
OWDA Loan #4056	451,782
OWDA Loan #4279	69,516
OWDA Loan #4566	376,471
OWDA Loan #6589	733,392
Ohio Water & Sewer Rotary Loans	272,330
LGIF Loan	397,844

2. We inquired of management, and inspected the General Ledger Report for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. All debt agreed to the summary we used in procedure 3.

3. We obtained a summary of loans debt activity for 2017 and 2016 and agreed principal and interest payments from the related invoices sent from OWDA and Ohio Development Services Agency to enterprise fund payments reported in the General Ledger Report. We also compared the date the debt service payments were due to the date the District made the payments. We found two exceptions when agreeing the amounts to be paid from the OWDA invoices to what was recorded in the General Ledger Report. In 2016, the invoice for OWDA Loan #2975 stated the principal amount to be paid was \$20,059.69. However, the payment was recorded in the General Ledger Report as \$20,159.69, which is a variance of \$100. The same situation occurred for OWDA Loan #6589. The invoice from OWDA stated the amount to be paid was \$34,524.75. However, the amount recorded in the General Ledger Report was \$34,425.36, which is a variance of (\$99.39). Failure to record the principal payments properly in the General Ledger Report could result in discrepancies in loan balances. The District should ensure that all payments are properly recorded in the General Ledger Report.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the General Ledger Report for the year ended December 31, 2017 and ten from the year ended 2016 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions; however, we noted an expenditure in the amount of \$56 for plaques purchased for two employees who were retiring. This expenditure was signed and approved by two Board members and the Treasurer on the Electronic Payment Authorization; however, the District does not have a policy in place that indicates how expenditures such as this are considered to be a proper public purpose. The District should adopt a formal policy related to items such as plaques for employees. The policy should include at a minimum, the maximum dollar amount of each purchase and should specifically identify situations in which these types of expenditures are deemed appropriate and how they are considered to be a proper public purpose.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check, or bank statement agreed to the check number, date, payee name and amount recorded in the General Ledger Report and to the names and amounts on the supporting invoices. We found no exceptions.

Non-Payroll Cash Disbursements (Continued)

- 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 one instance where disbursements requiring certification were not certified 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 inspect all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total budgeted receipts from the Final Approved Budget, required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.36(A)(1), to the amounts recorded in the Budget Analysis QB Report for the year ended December 31, 2017 and to the amounts recorded in the Monthly Budget Analysis Worksheet for the year ended December 31, 2016. The amounts on the Final Approved Budget did not agree to the amounts recorded in the accounting system. The Monthly Budget Analysis Worksheet recorded budgeted receipts of \$1,876,538 for 2016. However, the Final Approved Budget reflected \$1,816,538. For 2017, the Budget Analysis QB Report recorded budgeted receipts of \$1,615,040. However, the Final Approved Budget reflected \$1,816,538. The fiscal officer should periodically compare amounts recorded in the accounting system to amounts recorded on the Final Approved Budget to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
2. We inspected the budgeted appropriations adopted for 2017 and 2016 to determine whether, 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 budgeted appropriations from the Final Approved Budget required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.38 and 5705.40, to the amounts recorded in the Budget Analysis QB Report for 2017 and to the amounts recorded in the Monthly Budget Analysis Worksheet for 2016. The amounts on the Final Approved Budget do not agree to the amounts recorded in the Budget Analysis QB report for 2017 or to the amounts recorded in the Monthly Budget Analysis Worksheet for 2016. The Budget Analysis QB report for 2017 recorded budgeted appropriations of \$1,012,016. The Monthly Budget Analysis Worksheet for 2016 recorded budgeted appropriations of \$1,866,542. However, the Final Approved Budget reflected \$1,886,742 and \$1,815,642 for 2017 and 2016, respectively. The Treasurer should periodically compare amounts recorded in the accounting system to amounts recorded on the Final Approved Budget to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
4. Ohio Rev. Code Section 5705.28(B)(2)(c) prohibits budgeted appropriations from exceeding the estimated revenue available for expenditure (budgeted receipts plus beginning unencumbered cash). We compared total budgeted appropriations from the Final Approved Budget to total estimated revenue for the years ended December 31, 2017 and 2016. Budgeted appropriations did not exceed estimated revenue.

Compliance – Budgetary (Continued)

5. Ohio Rev. Code Sections 5705.28(B)(2) and 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding budgeted appropriations. We compared total expenditures to total budgeted appropriations for the years ended December 31, 2017 and 2016 as recorded in the Final Approved Budget for the budgeted appropriations and as recorded in the General Ledger Report for expenditures. Expenditures did not exceed budgeted appropriations for the year ended December 31, 2016; however, expenditures for 2017 exceeded total budgeted appropriations by \$59,042, contrary to Ohio Rev. Code Sections 5705.28(B)(2) and 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding budgeted appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing budgeted appropriations and amending estimated resources, if necessary, and if resources are available.
6. We inspected the Trial Balance Reports for the years ended December 31, 2017 and 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 these district's 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, in addition to filing extensions granted for extenuating circumstances, allow for refile 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 District's deadline where the initial filing was filed on time but incomplete. We confirmed the District 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, 2017 and 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 District'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 District's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2017 and 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

August 28, 2018

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ALLEN WATER DISTRICT

ALLEN 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, 20 2018