



Dave Yost • Auditor of State

VILLAGE OF BYESVILLE
GUERNSEY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Byesville
Guernsey County
221 East Main Street
P.O. Box 8
Byesville, Ohio 43723

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Village of Byesville, Guernsey County, Ohio (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 year ended December 31, 2013, 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

1. We tested the mathematical accuracy of the December 31, 2013 reconciliation. We found no exceptions.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Fund Status Report to the December 31, 2012 balances in the prior year Fund Status Report. We found no exceptions.
3. We agreed the total per the bank reconciliation to the total of the December 31, 2013 fund cash balance reported in the Fund Status Report. The amounts agreed.
4. We confirmed the December 31, 2013 bank account balances with the Village's financial institution. We also agreed the confirmed balances to the amounts appearing in the December 31, 2013 bank reconciliation. We noted the bank confirmed balances included two additional Water/Sewer accounts that were not part of the Village wide reconciliation. One was a deposit account that held customer deposits with a balance of \$62,079. The other account was a clearing account of utility collections with a balance of \$2,221 that is cleared out periodically by being paid into the Village's general account. Both of these accounts were reconciled by the Water/Sewer Department. We recommend the Village set up deposit funds on the Village's books and pay any deposits received into the Village's general account. We also recommend the clearing account balance be paid into the Village's general account at the end of each month so it clears to \$0 and is part of the Village's book balance at the end of each month.

Cash (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 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. We noted no exceptions.
6. We tested interbank account transfers occurring in December of 2013 to determine if they were properly recorded in the accounting records and on each bank statement. We found 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 2013:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Receipt Register Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper fund(s) as required by Ohio Rev. Code §§ 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 Revenue Receipt Register Report to determine whether it included two real estate tax receipts for 2013. We noted the Revenue Receipts Register Report included the proper number of tax receipts.
3. We selected five receipts from the State Distribution Transaction List (DTL) from 2013. We also selected five receipts from the County Auditor's Transaction History Report from 2013.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - 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 2013.
 - a. We compared the payment amount recorded on the tax return to the amount recorded on the Income Tax Cash Receipts Journal. The amounts agreed.
 - b. We compared the Income Tax Cash Receipts Journal daily total from step a. to the amount recorded as income tax receipts in the Revenue 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 2013.
 - 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 Clerk.
 - c. We noted the refunds were paid from the General Fund, as is required.

Water and Sewer Fund

1. We haphazardly selected 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2013 recorded in the U/B Daily Receipts Input Journal Report and determined whether the:
 - a. Receipt amount per the U/B Daily Receipts Input Journal agreed to the amount recorded to the credit of the customer's account in the Utility Billing 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. We found no exceptions.
 - c. Receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.
2. We read the U/B Aged Trial Balance Report.
 - a. We noted this report listed \$276,282 of accounts receivable as of December 31, 2013.
 - b. Of the total receivables reported in the preceding step, \$4,684 was recorded as more than 90 days delinquent.
3. We read the U/B Adjustment Journal Report.
 - a. We noted this report listed a total of \$18,829 non-cash receipts adjustments for the year ended December 31, 2013.
 - b. We selected five non-cash adjustments from 2013, and noted that the Village Administrator approved each adjustment.

Debt

1. From the prior agreed-upon procedures documentation and the 2012 Schedule of Outstanding Debt, we noted the following notes and loans outstanding as of December 31, 2012. These amounts agreed to the Villages January 1, 2013 balances on the summary we used in step 3.

| Issue | Principal Outstanding as of December 31, 2012: |
|---|---|
| Ohio Water Development Authority Loans | \$13,501,796 |
| Ohio Public Works Commission Loans | 165,272 |
| Peoples Bank Note | 81,802 |
| Fire Truck Loan | 255,643 |

2. We inquired of management, and scanned the Revenue Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2013 or debt payment activity during 2013. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of debt activity for 2013 and agreed principal and interest payments from the related debt amortization schedules to Water Enterprise Improvement, Water Debt Service, Sewer Debt Service and Fire Department 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.

Debt (Continued)

4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Water Enterprise Improvement fund per the Revenue Receipt Register Report. The amounts agreed.
5. For new debt issued during 2013, we inspected the debt legislation, noting the Village must use the proceeds to make improvements to their membrane water plant. We scanned the Appropriation Ledger Report and Council Minutes and noted the Village is currently making the improvements.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2013 from the Wages and Overtime Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Wages and Overtime Detail Report and Batch Wage Earnings and Credits 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 to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files and the minute record. 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 file and 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 and fund to which the check should be charged.
 - d. Retirement system participation and payroll withholding.
 - e. Federal, State & Local income tax withholding authorization and withholding.

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

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2013 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 2013. We noted the following:

| Withholding (plus employer share, where applicable) | Date Due | Date Paid | Amount Due | Amount Paid |
|--|---------------------|----------------------|-----------------------|------------------------|
| Federal income taxes & Medicare | 1/31/14 | 12/23/13 | \$2,603 | \$2,603 |
| State income taxes | 1/15/14 | 12/23/13 | \$1,241 | \$1,241 |
| Village of Byesville income taxes | 1/31/14 | 12/23/13 | \$582 | \$582 |
| City of Cambridge Income taxes | 1/31/14 | 12/23/13 | \$111 | \$111 |
| OPERS retirement | 1/30/14 | 12/31/13 | \$11,760 | \$11,760 |
| OP&F retirement | 1/31/14 | 1/24/14 | \$1,605 | \$1,605 |

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.

Payroll Cash Disbursements (Continued)

We noted the following exception:

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion No. 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

According to Village Ordinance No. 2012-05 passed on March 21, 2012, salary increases and related benefits shall be paid according to the current collective bargaining agreement for the position of Utilities Superintendent.

The Agreement between Local 1932 and Ohio Council 8 AFSCME, AFL-CIO and the Village of Byesville, Ohio effective January 1, 2011 through December 31, 2013 states that an employee who has a minimum of twenty (20) years of Village service, or has attained age sixty (60), who terminates service or retires, shall convert to cash any sick leave accrued at the employee's regular rate of pay earned at the time of separation (total hours accrued divided by five (5) to reach net) for retirement separation, and per the Ohio Revised Code for all other separations.

Former Village Utilities Superintendent/Administrator Thomas McVicker was paid for 221 hours of accrued but unused sick leave on February 6, 2013. Mr. McVicker had over 15 years of service with the Village. Since he did not have a minimum of 20 years of service with the Village nor did he retire, he was paid for 221 hours of sick leave upon his resignation for an overpayment of \$6,497. There was no documentation to support that the Council specifically approved the overcompensation which was not in accordance with Village's union agreement. Further, there was no indication that the overpayment was for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Thomas McVicker, former employee, in the amount of \$6,497 in favor of the Village's Water Operating Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; State, ex. Rel. Village of Linndale v. Masten (1985), 18 OhioSt. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Fiscal Officer Annette Whealdon processed the improper payments to Mr. McVicker. Accordingly, Annette Whealdon and her bonding company, Western Surety Company, will be jointly and severally liable in the total amount of \$6,497, and in favor of the Village's Water Operating Fund.

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2013 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 § 5705.41(D). We found two 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 § 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 § 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street Construction Maintenance and Water Operating funds for the year ended December 31, 2013. The amounts agreed.
2. We scanned the appropriation measures adopted for 2013 to determine whether, for the General, Parks and Recreation 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 § 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code §§ 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2013 for the following funds: General, State Highway and Sewer Operating. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report except for the General Fund. Total General Fund appropriations for 2013 per the Appropriation Status Report were \$725,516. However, the legislatively-approved appropriations for the General Fund in 2013 were \$727,870.

We recommend the Council approve all appropriation amendments, record approval in the Council minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Clerk should post all legislatively approved amendments.

The Clerk should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the Appropriation Resolutions to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and monitoring purposes.

4. Ohio Rev. Code §§ 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 Construction Maintenance and Water Operating Funds for the year ended December 31, 2013. We noted no funds for which appropriations exceeded certified resources.

Compliance – Budgetary (Continued)

5. Ohio Rev. Code § 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the year ended December 31, 2013 for the General, Street Construction Maintenance and Sewer Operating Funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code § 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2013. 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 § 5705.09 would require the Village to establish a new fund.
7. We scanned the 2013 Revenue Status Report and Appropriation Status Report for evidence of interfund transfers exceeding \$5,000 which Ohio Rev. Code §§ 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which § 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Report to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code § 5705.13. We noted the Village did not establish these reserves.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Register Detail Report for the year ended December 31, 2013 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 §§ 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.

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.

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

May 29, 2014



Dave Yost • Auditor of State

VILLAGE OF BYESVILLE

GUERNSEY 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 24, 2014**