



**VILLAGE OF AQUILLA  
GEAUGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 & 2002**



**Auditor of State  
Betty Montgomery**



VILLAGE OF AQUILLA  
GEAUGA COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003, AND 2002

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	3
Schedule of Findings	5

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Aquilla  
Geauga County  
65 Turner Road  
Chardon, Ohio 44024

To the Village Council:

We were engaged to audit the financial statements of the Village of Aquilla, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2004, December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the Village's management.

The Village did not provide us with ledgers of receipts and disbursements organized by fund that were supported with original documentation, nor did they provide monthly reconciliations of bank to book balances. In addition, the Village did not provide us with a representation letter.

The Village did not provide us with financial statements including notes. The Village was required by the Ohio Revised Code Section 117.38 to prepare financial statements using accounting practices the Auditor of State prescribes or permits.

Since the Village did not provide the evidence described in the second paragraph above, even if the Village had prepared financial statements, the scope of our work was not sufficient for us to express an opinion, and we do not express an opinion on the financial statements for the years ended December 31, 2004, December 31, 2003, and December 31, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2005, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and you should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 17, 2005

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT  
AUDITING STANDARDS**

Village of Aquilla  
Geauga County  
65 Turner Road  
Chardon, Ohio 44024

To the Village Council:

We were engaged to audit the financial statements of the Village of Aquilla, Geauga County, Ohio (the Village) as of and for the years ended December 31, 2004, December 31, 2003, and December 31, 2002 and have issued our report thereon dated December 17, 2005. Our report indicated that because the Village did not provide us with ledgers of receipts and disbursements organized by fund that were supported with original documentation, monthly reconciliations of bank to book balances and a representation letter we did not express an opinion on the financial statements.

**Internal Control Over Financial Reporting**

In planning and performing our engagement, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion, wherein we disclaimed an opinion on the financial statements, and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-008 and 2004-009.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions items 2004-008 and 2004-009 to be material weaknesses.

### **Material Noncompliance and Other Matters**

As part of our procedures, we tested the Village's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-007.

We intend this report solely for the information and use of management, audit committee, and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

December 17, 2005



VILLAGE OF AQUILLA  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Findings for Recovery

<b>FINDING NUMBER</b>	<b>2004-001</b>
-----------------------	-----------------

The Village of Aquilla passed Ordinance No. 346, on May 6, 1996, establishing the salary of the Clerk-Treasurer shall be \$3,600 starting January 1, 1997, per annum. In 2002, 2003 and 2004, the Clerk-Treasurer, Nancy Sinkko, wrote checks to herself totaling \$8,100, \$5,400 and \$13,500, respectively, for the Clerk-Treasurer's salary. These payments exceeded the Ordinance by \$4,500, \$1,800, and \$9,900, respectively. In 2005, the Clerk-Treasurer, Nancy Sinkko, wrote checks to herself totaling \$3,600 for the Clerk-Treasurer's salary. Nancy Sinkko submitted a letter of resignation to the Village on March 31, 2005. Since she was Clerk-Treasurer for one quarter, these payments exceeded the Ordinance by \$2,700. The Clerk-Treasurer's bond was not renewed as of March 31, 2004.

In accordance with the forgoing facts, and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Nancy Sinkko, Clerk-Treasurer, and the Ohio Casualty Group, Inc.; jointly and severally, in the amount of \$6,300, and against Nancy Sinkko, Clerk-Treasurer, and the CNA Surety Company; jointly and severally in the amount of \$12,600 and in favor of the Village of Aquilla. The funds these payments were made from could not be determined.

We recommend the Village monitor payments made by the Clerk-Treasurer to avoid overpayment.

<b>FINDING NUMBER</b>	<b>2004-002</b>
-----------------------	-----------------

The Village of Aquilla passed Ordinance No. 301, on November 4, 1991, establishing the salary of the Street Commissioner shall be \$800.00 per year. In 2002, the Clerk-Treasurer, Nancy Sinkko, wrote checks to Erritt Sinkko, Street Commissioner totaling \$1,600 for the Street Commissioner's salary. These payments exceeded the Ordinance by \$800.

In accordance with the forgoing facts, and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Nancy Sinkko, Clerk-Treasurer, Erritt Sinkko, Street Commissioner, and the Ohio Casualty Group, Inc.; jointly and severally, in the amount of \$800 and in favor of the Village of Aquilla. The funds these payments were made from could not be determined.

We recommend the Village monitor payments made by the Clerk-Treasurer to avoid overpayment.

VILLAGE OF AQUILLA  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004, 2003 AND 2002  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Noncompliance Citations

FINDING NUMBER	2004-003
----------------	----------

**Ohio Revised Code § 117.38** provides that cash basis entities must file annual reports with the Auditor of State within sixty days of the fiscal year end. At the time the report is filed with the Auditor of State, the Chief Fiscal Officer shall publish notice in a local newspaper, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision. The notice shall state that the financial report has been completed and is available for public inspection at the office of the chief fiscal officer. Pursuant to this Section, the Village may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Village did not file its 2002, 2003 and 2004 financial report with the Auditor of State, nor was the public notified of its availability for inspection.

We recommend the Village take the necessary steps to ensure that the annual financial report is prepared on a cash basis accounting principles format.

FINDING NUMBER	2004-004
----------------	----------

**Ohio Revised Code § 5705.36** provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year for fiscal year 2004.

We recommend the Village verify the unencumbered balance is reported accurately to the County.

FINDING NUMBER	2004-005
----------------	----------

**Ohio Revised Code § 5705.38 (A)** provides that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1 of the current year, and the appropriation made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

VILLAGE OF AQUILLA  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004, 2003 AND 2002  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Noncompliance Citations (Continued)

FINDING NUMBER	2004-005 (Continued)
----------------	----------------------

The Village passed a temporary appropriation measure on April 5, 2002 and a permanent appropriation measure on September 5, 2002 for fiscal year 2002.

The Village passed a temporary appropriation on January 2, 2003 and a permanent appropriation measure on December 2, 2003 for fiscal year 2003.

The Village did not file with the County Budget Commission either a temporary or permanent appropriation measure passed for fiscal year 2004.

We recommend the Village pass temporary and permanent appropriations timely and updated and review on a monthly basis their appropriation ordinance prior to making encumbrances or expenditures.

FINDING NUMBER	2004-006
----------------	----------

Ohio Revised Code § 5705.41(B) prohibits a subdivision or taxing unit, from making an expenditure unless it has been appropriated.

The Village did not pass the temporary appropriation measure for fiscal year 2002 until April 5, 2002, so the Village was expending monies illegally from all funds in the amount of \$16,195.54, for the period January 1, 2002 to April 4, 2002.

The Village did not pass temporary or permanent appropriation measure for fiscal year 2004, so the Village was expending monies illegally from all funds in the amount of \$52,227.88, for the period January 1, 2004 to December 31, 2004.

The Village should adopt appropriations timely and monitor expenditures and encumbrances committed against those appropriations, at the legal level of control, which should be no higher than the fund level.

FINDING NUMBER	2004-007
----------------	----------

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

VILLAGE OF AQUILLA  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004, 2003 AND 2002  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Noncompliance Citations (Continued)

FINDING NUMBER	2004-007 (Continued)
----------------	----------------------

**1. “Then and Now” certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not utilize purchase orders during the audit period, so (100%) of transactions tested were not certified by the fiscal officer at the time of the commitment was incurred and neither of the exceptions discussed above were used. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer utilize the encumbrance method of accounting and certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village encumber and certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

VILLAGE OF AQUILLA  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004, 2003 AND 2002  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Material Weaknesses

FINDING NUMBER	2004-008
----------------	----------

Condition of the Financial Records

Management is responsible for adopting sound accounting policies and for establishing and maintaining internal controls that are designed to record, process, summarize and report transactions consistent with management's assertions. Also, the fair presentation of cash basis financial statements is a direct and integral part of management's responsibility to provide reliable and accurate information. Management showed no evidence of performing monthly reconciliations.

Without accurate and complete recording and presentation of financial activity, additional steps had to be completed and no opinion on financial statements could be issued. We noted the Village's financial records had the following weaknesses:

- The Village has not reconciled their ledgers to the bank statements since at least January 1, 2002;
- Several checks were written and not posted to the ledgers on a daily basis for fiscal year 2002, and the Village had no expenditure ledgers for fiscal years 2003 and 2004;
- Several bank deposits were not posted to the Village's ledgers on a daily basis for fiscal year 2002, and the Village has no revenue ledgers for fiscal years 2003 and 2004;
- Several County and State warrants were not deposited to the Village's account timely;
- Although the Village utilizes a pre-numbered duplicate receipt book, a receipt was not prepared for all monies collected by Clerk-Treasurer. As a result, a lack of completeness and accountability exists relative to the Village receipts. In addition, revenue posted to the books for fiscal years 2002 and 2003 could not be easily traced to the Bank Statements; and,
- The Mayor and Council did not always receive monthly financial reports during 2002, 2003 and 2004 and when the Mayor and Council did receive reports, they were not accurate;

We recommend that the Village develop and maintain a system of controls and financial records which exhibit the financial position of the Village, and at a minimum, consist of the following:

- Revenue ledgers which record all sources of monies received, purpose of the receipt, and from whom received;
- Sequentially numbered duplicate receipts prepared for all monies received;
- Copies of all deposit transactions to the bank;
- Reconciliations of bank deposits to duplicate receipts and revenue ledgers;
- Monitor funds received from the State and County to determine that funds were deposited properly;
- Development of a system to document approvals for expenditures made;
- Expenditure ledgers which record all expenditures of monies and the purpose of the expenditure;
- Files which consist of the original invoices received for all expenditures made which cross reference to the checks prepared for the payment of the invoices;
- Complete and accurate listings of all outstanding checks at the end of each month;
- Complete and accurate monthly bank to book reconciliations. Reconciliations should be reviewed, initialed by the Mayor to ensure accuracy and validity of the reconciliation process and data forwarded to the Council;
- Preparation of monthly financial statements;

**VILLAGE OF AQUILLA  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Material Weaknesses (Continued)**

<b>FINDING NUMBER</b>	<b>2004-008 (Continued)</b>
-----------------------	-----------------------------

- Development of management policies which enumerate and describe the financial records to be maintained by the Village;
- Development by management of a complete system of controls to help ensure the completeness, accuracy, and validity of the Village's financial transactions;
- Evidence of review of the financial statements and supporting documentation by the Mayor and Council; and;
- Any other records (financial or non-financial) which the Mayor or Council should determine to be useful in the discharge of their duties.

It is imperative that accurate and complete records which exhibit true balances be maintained. If necessary, the Village management should seek training sessions for financial statement preparation, read and study the available authoritative literature, develop a program of recordkeeping which will provide assurance of financial statement accuracy and integrity, and if necessary seek out the assistance of a professional who is familiar with the these requirements.

<b>FINDING NUMBER</b>	<b>2004-009</b>
-----------------------	-----------------

**Segregation of Duties/Council Monitoring Controls**

The Clerk-Treasurer performs the following duties:

- Receives over-the-counter money and processes it through the financial records;
- Receives mail and processes the money through the financial records;
- Prepares and makes the daily deposits with the bank;
- Posts revenue transactions to the Cash Journal;
- Processes and posts all disbursements to the Cash Journal;
- Reconciles the bank account; and,
- Prepares the annual financial statements (ceased to perform this function after 2001);

The lack of segregation of duties allows for the possibility of errors or diversion of funds occurring without being detected on a timely basis. In addition, no one compares the actual receipts and expenditures to budgeted figures; reviews and approves the financial statements; or reviews the journals, ledgers, and bank reconciliations. As a result, Council is not completely aware of the financial position of the Village.

VILLAGE OF AQUILLA  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004, 2003 AND 2002  
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Material Weaknesses (Continued)**

<b>FINDING NUMBER</b>	<b>2004-009 (Continued)</b>
-----------------------	-----------------------------

To improve controls over revenue and expenditures, Council should expand their fiscal monitoring procedures to include review of detail budgetary reports and ledgers. In addition, Council should ensure reconciliations between the ledgers and journals are performed on a monthly basis, along with bank reconciliations. This will increase their awareness of interim financial activity and also help gauge the Village's financial status on a regular basis. This type of review will also provide additional checks and balances to reduce the risks inherent in a control environment which lacks a segregation of accounting duties.

The Clerk-Treasurer should maintain up to date financial records and the financial report should be presented to the Council for review and approval at the monthly Council meetings to allow the Village to make sound financial decisions. By reviewing and approving monthly financial information, the Council will be better able to assess the Village's current and long-term financial position.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF AQUILLA  
GEAUGA 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  
DECEMBER 30, 2005**