



Dave Yost • Auditor of State





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

Village of Kelleys Island  
Erie County  
121 Addison Street, P.O. Box 469  
Kelleys Island, Ohio 43438-0469

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Village of Kelleys Island, Erie 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 years ended December 31, 2014 and 2013, including mayor's court receipts, disbursements and balances, 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, 2014 and December 31, 2013 bank reconciliations. We found no exceptions for the December 31, 2013 bank reconciliation. The December 31, 2014, bank reconciliation outstanding check list included a footing error for which the amount was overstated by \$2,300. Consequently the reconciled balance did not agree to the fund cash balances at December 31, 2014. The Clerk-Treasurer should implement procedures to ensure the accuracy of reconciling items included in the reconciliation process is accurate.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Monthly Fund Statement Report to the December 31, 2012 balances in documentation in the prior year agreed-upon procedures working papers. We found no exceptions. We also agreed the January 1, 2014 beginning fund balances recorded in the Monthly Fund Statement Report to the December 31, 2013 balances in the Monthly Fund Statement Report. We found no exceptions.
3. We agreed the totals per the bank reconciliation to the total of the December 31, 2014 fund cash balances reported in the Monthly Fund Statement Report. The corrected bank reconciliation total did not agree to the December 31, 2014 fund cash balances reported in the Monthly Fund Statement Report because the outstanding check list total used in the reconciliation included a footing error.

4. We observed the year-end bank balances on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2014 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2014 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 2014 and 2013 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
7. We tested investments held at December 31, 2014 and December 31, 2013 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 Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes (the Statement)* for 2014 and one from 2013:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Entry Journal Report. The amounts agreed.
  - b. We determined whether the receipt was allocated to the proper funds 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 Revenue Entry Journal Report to determine whether it included two real estate tax receipts for 2014 and 2013. We noted the Revenue Entry Journal Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2014 and five from 2013. We also selected five receipts from the Erie County Auditor Confirmation from 2014 and five from 2013.
  - a. We compared the amount from the above reports to the amount recorded in the Revenue Entry Journal Report. The amounts agreed.
  - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
  - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

**Water Fund Charges for Services**

1. We haphazardly selected ten Water Fund collection cash receipts from the year ended December 31, 2014 and ten Water Fund collection cash receipts from the year ended December 31, 2013 recorded in the Payment Detail Report and determined whether the:
  - a. Receipt amount per the Payment Detail Report agreed to the amount recorded to the credit of the customer's account in the System Status Report. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the System Status Report 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 quarterly fixed amount, plus any applicable late penalties, plus water intake assessment, plus unpaid prior billings. 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 System Status Report.
  - a. We noted this report listed \$105,934 and \$89,260 of accounts receivable as of December 31, 2014 and 2013, respectively.
  - b. Of the total receivables reported in the preceding step, none were recorded as more than 90 days delinquent.
3. We read the Transaction Detail History Report.
  - a. We noted this report listed a total of \$24,605 and \$594 non-cash receipts adjustments for the years ended December 31, 2014 and 2013, respectively.
  - b. We selected five non-cash adjustments from 2014 and five non-cash adjustments from 2013, and noted that the Village Administrator approved each adjustment.

**Debt**

1. From the prior agreed-upon procedures documentation, we noted the following loans and bonds outstanding as of December 31, 2012. These amounts agreed to the Village's January 1, 2013 balances on the summary we used in step 3.

<b>Issue</b>	<b>Principal outstanding as of December 31, 2012:</b>
OWDA Water Line Project Loan	\$74,338
OWDA Water Treatment Plan Loan	754,860
USDA Water System Loan	200,918
OPWC Road Project Loan	4,809
WSOS Water Line Project Loan	16,225
USDA Airport Improvement Bonds	157,400

2. We inquired of management, and scanned the Revenue Entry Journal and Check Register Report for evidence of debt issued during 2014 or 2013 or debt payment activity during 2014 or 2013. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan and bonded debt activity for 2014 and 2013 and agreed principal and interest payments from the related debt amortization schedules and USDA Rural Development invoices to First Mortgage Debt Service, Water, Road Construction, Repave Runway and Debt Service, Water Intake Project, and Sweetbriar Assessments fund payments reported in the Check Register Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found one exception. The amount paid to WSOS for Water Line Project Loan was \$1,059 higher than the amount due per the amortization schedule. This overpayment was the result of early payments made by the Village.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Road Construction and Water Intake Project funds per the Revenue History Report. The amounts agreed.
5. For new debt issued during 2013, we inspected the debt legislation, noting the Village must use the proceeds for construction of a new water intake project and the construction of Sweetbriar Road. We scanned the Budget History Report and noted the Village paid the contractor for the water intake project in December 2013 and paid for the road project in July 2013.

#### **Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2014 and one payroll check for five employees from 2013 from the Payroll Distribution Journal Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Payroll Distribution Journal Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files or 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 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 and fund to which the check should be charged
  - d. Retirement system participation and payroll withholding
  - e. Federal, State and Local income tax withholding authorization and withholding
  - f. Any other deduction authorizations (deferred compensation, etc.)

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

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2014 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 2014. 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 and Medicare	January 31, 2015	December 31, 2014	\$5,027	\$5,027
State income taxes	January 15, 2015	December 31, 2014	294	294
OPERS retirement	January 30, 2015	January 14, 2015	9,252	9,252

### **Non-Payroll Cash Disbursements**

We haphazardly selected ten disbursements from the Check Register Report for the year ended December 31, 2014 and ten from 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 Check Register 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 Clerk-Treasurer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

### **Mayors Court Transactions and Cash Balances**

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. We found no exceptions.
2. We compared the reconciled cash totals as of December 31, 2014 and December 31, 2013 to the Mayor's Court Agency Fund balance reported in the Monthly Fund Statement Report. The balances agreed.
3. We compared the totals per the bank reconciliations to the total of December 31, 2014 and December 31, 2013 listing of unpaid distributions as of each December 31. The amounts did not agree for 2014 or 2013. The December 31, 2014 reconciled Mayor's Court Agency Fund balance was \$4,386, while the listing of unpaid distributions reported \$1,841 to be distributed. The December 31, 2013 reconciled Mayor's Court Agency Fund balance was \$5,360 while the listing of unpaid distributions reported \$1,184 to be distributed. The Mayor's Court Clerk should implement procedures to ensure the reconciled fund balance in the Mayor's Court Agency Fund is equal to the listing of unpaid distributions at month-end.

4. We observed the year-end bank balance on the financial institution's website. The balance agreed. We also agreed the confirmed balances to the amount appearing in the December 31, 2014 bank reconciliation without exception.
5. We haphazardly selected five cases from the court cash book and agreed the payee and amount posted to the:
  - a. Duplicate receipt book.
  - b. Docket, including comparing the total fine paid to the judgment issued by the judge (i.e. Mayor).
  - c. Case file.The amounts recorded in the cash book, receipts book, docket and case file agreed.
6. From the cash book, we haphazardly selected one month from the year ended December 31, 2014 and one month from the year ended December 31, 2013 and determined whether:
  - a. The monthly sum of fines and costs collected for those months agreed to the amounts reported as remitted to the Village, State or other applicable government in the following month. We found no exceptions.
  - b. The totals remitted for these two months per the cash book agreed to the returned canceled checks. 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 cash book. We found no exceptions.

### **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 Monthly Revenue Statement Report for the General, Street Maintenance, and Water funds for the years ended December 31, 2014 and 2013. In 2014 and 2013, the amounts on the *Certificate* did not agree to the amount recorded in the accounting system. In 2014, the Monthly Revenue Statement Report recorded no budgeted (i.e. certified) resources for the General, Street Maintenance, and Water funds. However, the final *Amended Official Certificate of Estimated Resources* reflected \$570,000, \$65,000, and \$404,000 in the General, Street Maintenance, and Water funds, respectively. In 2013, the Monthly Revenue Statement Report recorded no budgeted (i.e. certified) resources for the General, Street Maintenance, and Water funds. However, the final *Amended Official Certificate of Estimated Resources* reflected \$651,352, \$64,740, and \$450,000 in the General, Street Maintenance, and Water funds, respectively. The Clerk-Treasurer 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.
2. We scanned the appropriation measures adopted for 2014 and 2013 to determine whether, for the General, Street Maintenance, and Water 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 Monthly Expense Statement report for 2014 and 2013 for the following funds: General, Street Maintenance, and Water. In 2014 and 2013, the amounts on the

appropriation resolutions did not agree to the amounts recorded in the Monthly Expense Statement Report. In 2014, the Monthly Expense Statement Report recorded total appropriations for the General, Street Maintenance, and Water funds of \$604,530, \$73,564, and \$446,840, respectively. However, the appropriations as authorized by Council were \$604,957, \$73,539, and \$441,140, respectively. In 2013, the Monthly Expense Statement Report recorded total appropriations for the General, Street Maintenance, and Water funds recorded appropriations of \$640,100, \$85,000, and \$519,075, respectively. However, the appropriations as authorized by Council were \$647,100, \$70,000, and \$406,931, respectively. The Clerk-Treasurer should periodically compare amounts recorded in the Monthly Expense Statement report to amounts approved by the Council 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 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, Street Maintenance, and Water funds for the years ended December 31, 2014 and 2013. 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, 2014 and 2013 for the General, Street Maintenance, and Water fund, as recorded in the Budget History Report, to total Council approved appropriations. 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 Revenue Entry Journal Report for evidence of new restricted receipts requiring a new fund during December 31, 14 and 2013. We also inquired of management regarding whether the Village received new restricted receipts. The Village established the Sweetbriar Assessment and Water Intake Project funds during 2013 to segregate debt proceeds and disbursements, in compliance with Section 5705.09.
7. We scanned the 2014 and 2013 Monthly Revenue Statement Reports and Monthly Statement Expense Reports for evidence of interfund transfers 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 Monthly Expense Statement 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 Monthly Fund Statement Report for the years ended December 31, 2014 and 2013 for negative cash fund balances. 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 fund having a negative cash fund balance.

#### **Compliance – Contracts and Expenditures**

We inquired of management and scanned the Monthly Expense Statement Report for the years ended December 31, 2014 and 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 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.

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

January 7, 2016



# Dave Yost • Auditor of State

**VILLAGE OF KELLEYS ISLAND**

**ERIE 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  
FEBRUARY 11, 2016**