



Dave Yost • Auditor of State



Dave Yost • Auditor of State

October 26, 2018

Village of Cecil
Paulding County
301 West Third Street
P.O. Box 164
Cecil, Ohio 45821-0164

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 Cecil, Paulding County, (the Village) for the years ended December 31, 2017 and 2016.

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, 2017 and 2016.

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.

Based on the results of our procedures, we found the following significant compliance or accounting issues to report.

Current Year Observations

1. The Fiscal Officer is responsible for the duties of the utility billing function, including processing of utility billings, receiving payments, depositing utility receipts, and entering transactions into the utility system, including any credits and/or other adjustments to customer utility accounts. There is a lack of monitoring of utility records by the Village Council, Mayor, and/or Village Administrator to compensate for this weakness. This situation could result in errors or irregularities occurring without detection in a timely manner by Village management officials. To increase controls and accountability over utility receipts, the Village Council (or individual(s) designated by Council) should periodically review and monitor utility billing and receipt records, including all adjustments (i.e. non-cash adjustments, credits, etc.) made to customer accounts.

Current Status of Matters Reported in our Prior Engagement

2. Our prior audit for the years ended December 31, 2015 and 2014 included a noncompliance and material weakness comment for approved appropriations not agreeing to the accounting system. We noted the 2016 annual report included a similar error. The Enterprise Sewer Debt Service Fund approved appropriations did not agree to what was posted by \$7,000, for the year ended December 31, 2016. Ohio Rev. Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriations. Because legally adopted appropriations authorize spending, disbursements could be made that are not within Council's intentions and could result in deficit spending. The Village should develop policies and implement procedures to assure that all appropriation amendments are properly approved by Council prior to being posted to the accounting system and submitted to the County Budget Commission.
3. Our prior audit for the years ended December 31, 2015 and 2014 included a noncompliance comment for expenditures exceeding appropriations. We noted the 2016 annual report included a similar error. As of December 31, 2016, the Enterprise Sewer Debt Service Fund expenditures exceeded appropriations by \$3,150. Ohio Rev. Code § 5705.41(B) provides that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. Allowing expenditures to exceed appropriations could result in deficit spending. The Clerk-Treasurer should request Council to approve increased expenditure levels by increasing approved appropriations and amending estimated resources, if necessary.
4. Our prior audit for the years ended December 31, 2015 and 2014 included a noncompliance comment for the Village not charging sufficient rates to provide for the debt payments and/or operating expenses of the sewer system. We noted the 2017 annual report included a similar error. Ohio Water Development Authority (OWDA) Loan Agreements 4.3(a) provides that the Village will prescribe and charge rates for the services of the utilities that shall result in pledged revenues at least adequate to provide for payments required to remit its debt obligation payments to OWDA. The Village's Enterprise Sewer Operating Fund had a net loss of \$4,618 in 2017, thus indicating the Village did not charge sufficient rates and/or special assessments to generate sufficient revenues to provide for the debt payments and/or operating expenses of the sewer system. The loss occurred since the Village failed to revise sewer rates for 2017 to ensure compliance with the OWDA agreement, and as such, was in violation of the debt covenants and could result in default of the debt. The Village should develop a plan to either lower sewer operating costs or increase sewer rates in order to have adequate funds to pay the amounts per the OWDA agreements.
5. Our prior audit for the years ended December 31, 2015 and 2014 included a material weakness related to Government Accounting Standards Board (GASB) Statement No. 54 which establishes criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. We noted the 2017 and 2016 annual reports included similar errors. The Capital Projects OPWC/LTIP/CDBG Fund balance in the amount of \$3,292 in both 2017 and 2016 was improperly classified as restricted instead of assigned fund balance. Also, the General Fund balance for subsequent year appropriations in excess of estimated receipts was incorrectly classified as unassigned instead of assigned fund balance in 2017 and 2016 in the amounts of \$34,627 and \$24,837, respectively. The Clerk-Treasurer should review Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

6. Our prior audit for the years ended December 31, 2015 and 2014 included a significant deficiency over delinquent sewer accounts. We noted similar errors in 2017. As of November 27, 2017 (the latest available utility aging report before the utility billing system crashed in December 2017), there were \$53,883 in delinquent sewer utility accounts. This situation causes the Village to suffer a loss of revenue. To improve control and accountability over the Village's sewer utility billing collections, the Village should adopt stringent guidelines of collection procedures for utility accounts, which should list actions to be followed in collecting unpaid accounts and the timeframes they should occur. Village officials should regularly review listings of outstanding unpaid customer accounts and determine collection actions to be taken on outstanding accounts, including certifying delinquent accounts to the County Auditor each year.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 26, 2018

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF CECIL

PAULDING 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
NOVEMBER 8, 2018