



Dave Yost • Auditor of State



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Castine
Darke County
235 North Main Street
Castine, Ohio 45304

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Castine (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, 2015 and 2014, 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, 2015 and December 31, 2014 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2014 total beginning fund balance recorded in the Balance Sheet Report to the December 31, 2013 total fund balance in the prior year Basic audit working papers. We found no exceptions. We also agreed the January 1, 2015 beginning fund balances recorded in the Balance Sheet Report to the December 31, 2014 balances in the Balance Sheet Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2015 and 2014 fund cash balances reported in the Balance Sheet Report. The amounts agreed.
4. We confirmed the December 31, 2015 bank account balance with the Village's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2015 bank reconciliation without exception.
5. We selected all reconciling debits (such as outstanding checks) from the December 31, 2015 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We noted one old outstanding reconciling debit in the amount of \$18 dated November 16, 2012. No other exceptions were noted.
 - 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.

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 2015 and one from 2014:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Transaction Detail by Account Report. We noted that property tax receipts for 2014 and 2015 were posted at the net amount rather than the gross amount. For the property tax settlement received in March 2014, receipts and County Auditor fees in the amount of \$765 and \$13 were not properly posted to the General Fund and the Fire Levy Fund, respectively. For the property tax settlement received in August 2015, receipts and County Auditor fees in the amount of \$199 and \$10 were not properly posted to the General Fund and the Fire Levy Fund, respectively.
 - 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 Transaction Detail by Account Reports to determine whether it included two real estate tax receipts for 2015 and 2014. We noted the Transaction Detail by Account Reports included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2015 and five from 2014. We also selected five receipts from the County Auditor's Voucher Listing from 2015 and five from 2014.
 - a. We compared the amount from the above reports to the amount recorded in the Transaction Detail by Account Reports. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. For 2014, a Rollback and Homestead receipt received from the state was posted entirely to the General Fund rather than being allocated to the General Fund and the Fire Levy Fund in the amount of \$149 and \$34, respectively, in accordance with the *Statement of Semiannual Apportionment of Taxes* received from the County Auditor. Also in 2014, Motor Vehicle License Tax receipts in the amount of \$83 and \$53 were posted entirely to the General Fund rather than being allocated 92.5 percent to the Street Construction Fund and 7.5 percent to the State Highway Fund. For 2015, a Rollback and Homestead receipt received from the state was posted to the State Highway and Street Construction Funds rather than being allocated to the General Fund and the Fire Levy Fund in the amount of \$169 and \$41, respectively, in accordance with the *Statement of Semiannual Apportionment of Taxes* received from the County Auditor. Also in 2015, Motor Vehicle License Tax receipts in the amount of \$67 and \$255 were posted entirely to the General fund rather than being allocated 92.5 percent to the Street Construction Fund and 7.5 percent to the State Highway Fund.
 - c. We determined whether the receipts were recorded in the proper year. A Local Government Funds receipt received from the County was dated November 13, 2014 and was not deposited by the Village until February 6, 2015.
4. The Village received a grant from the Ohio Public Works Commission (OPWC) for their Main Street Reconstruction Project during 2014 and 2015. We confirmed the amounts paid by OPWC on behalf of the Village for the Main Street Reconstruction Project Grant. During 2014 and 2015, receipts in the amount of \$478,616 and \$17,884, respectively, were not posted to the Village's accounting system. **Ohio Rev. Code §5705.42** requires, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of

such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. The Village should appropriate and the Fiscal Officer should record on-behalf monies. The Fiscal Officer should also review Auditor of State Bulletin 2000-008 "Accounting for Cash Basis Local Governments' Participation in On-Behalf-Of Grants or Improvement Projects" for guidance for properly accounting for such activity.

Debt

1. The prior Basic audit documentation disclosed no debt outstanding as of December 31, 2013.
2. We inquired of management, and scanned the Transaction Detail by Account Reports for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. We noted no new debt issuances or any debt payment activity during 2015 or 2014.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2015 and one payroll check for five employees from 2014 from the Transaction Detail by Account Report and:
 - a. We compared the pay rate, or salary recorded in the Transaction Detail by Account Report to supporting documentation [legislatively approved rate or salary]. We were unable to verify the Council President's pay to supporting documentation. Approval for the Council President's pay amount was not documented in the minutes. The Village Council should approve in the minutes the pay rate for the Council President.
 - b. We recomputed gross pay and agreed it to the amount recorded in the Check Detail Report. We found no exceptions.
 - c. We determined whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in 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 minute record was consistent with the information used to compute gross pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – c. above. The Village does not withhold retirement contributions, Federal, State and Local taxes from officials pay; therefore, the Village does not maintain the forms related to steps d. – e. above.

3. Federal income taxes, State income taxes, School District income taxes and Medicare taxes were not withheld from any Council member, Mayor or Fiscal Officer's compensation during 2014 or 2015. The Village should begin withholding Federal, State, local and Medicare taxes from its employees and remit them to the respective agencies. Failure to do so could result in assessment of fines and penalties by the Internal Revenue Service, Ohio Department of Taxation and the local taxing authority.

Also, Social Security was not withheld from any Council member, Mayor or Fiscal Officer's compensation during 2014 and 2015. Ohio Public Employees Retirement System (OPERS) pension was not withheld from any Council member, Mayor or Fiscal Officer's compensation

during 2014 or 2015. Village Council Members paid on a "per meeting" basis are NOT eligible to participate in OPERS, while the Mayor and Fiscal Officer are paid salary and are eligible to participate in OPERS. The Village should determine the eligibility of the Mayor, Village Council and the Fiscal Officer to participate in OPERS and begin withholding retirement contributions to the system. If it is determined that the above named individuals are exempt from participation in OPERS, the Village should begin withholding Social Security from their pay checks. Failure to do so could result in assessment of penalties against the Village, and loss of credit towards retirement for the employees.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Check Detail Reports for the year ended December 31, 2015 and ten from the year ended 2014 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 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. During 2014 and 2015, the Fiscal Officer did not certify disbursements requiring certification or issue *Then and Now Certificates* for all disbursements selected for testing. 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 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 2014 Amended Official Certificate of Estimated Resources and the 2015 Official Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the QuickBooks system for the General, Street Construction and Fire Levy funds for the years ended December 31, 2015 and 2014. The Village does not record estimated receipts in the QuickBooks system. The Fiscal Officer should periodically compare amounts recorded in the QuickBooks system to amounts recorded on the *Official Certificate of Estimated Resources* or 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 2015 and 2014 to determine whether, for the General, Street Construction and Fire Levy 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 for the General and Street Construction Funds; however, the Village did not make appropriations for the Fire Levy Fund during 2014 and 2015.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the QuickBooks system for 2015 and 2014 for the following funds: General, Street Construction, and Fire Levy. The Village did not enter approved appropriation amounts into the QuickBooks system during 2014 and 2015. The Fiscal Officer should periodically compare amounts recorded in the QuickBooks system to amounts on the annual appropriation measures to assure they agree. If the amounts do not agree, the Village 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 Construction and Fire Levy funds for the years ended December 31, 2015 and 2014. We noted that Street Construction Fund appropriations for 2015 exceeded certified resources by \$45,528, contrary to Ohio Rev. Code Section 5705.39. The Council should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Village to incur fund balance deficits. No other exceptions were noted.
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, 2015 and 2014 for the General, Street Construction and Fire Levy funds, as recorded in the Transaction Detail by Account Report. We noted that Fire Levy Fund expenditures for 2014 exceeded total appropriations by \$975, contrary to Ohio Rev. Code Section 5705.41(B). Also, we noted that General Fund and Fire Levy Fund expenditures for 2015 exceeded total appropriations by \$400 and \$800, respectively, contrary to Ohio Rev. Code Section 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Transaction Detail by Account Reports for evidence of new restricted receipts requiring a new fund during December 31, 2015 and 2014. We also inquired of management regarding whether the Village received new restricted receipts. The Village established the Fire Levy Fund during 2014 to segregate property tax receipts and disbursements for fire protection services, in compliance with Section 5705.09(D); however, the Village Council did not approve by resolution or ordinance the establishment of the Fire Levy Fund. We also noted that the Village received an Ohio Public Works Commission (OPWC) Grant for street reconstruction; however, the Village did not establish a separate fund in compliance with Section 5705.09(F). Ohio Rev. Code Section 5705.09(F) states, in part, that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. The Village should establish a separate fund as required by Ohio Rev. Code Section 5705.09(F) to segregate these externally-restricted resources.
7. We scanned the 2015 and 2014 Transaction Detail Reports for evidence of interfund transfers exceeding \$5,000 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 Balance Sheet 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 Balance Sheet Reports for the years ended December 31, 2015 and 2014 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. We noted no funds having a negative cash fund balance.

Compliance – Contracts & Expenditures

We scanned the Transaction Detail by Account Report for the years ended December 31, 2015 and 2014 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.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires villages to file their financial information in the HINKLE system formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed the Hinkle System to verify the Village filed their financial information within the allotted timeframe for the years ended December 31, 2015 and 2014. The financial information for 2014 was filed on August 4, 2016 and financial information for 2015 was filed on July 31, 2016 which was not within the allotted timeframe.
2. We inquired of the fiscal officer and scanned the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. The Fiscal Officer did not obtain the required training. The Fiscal Officer should review the requirements of the Fiscal Integrity Act and obtain the required training.

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.



Dave Yost
Auditor of State

Columbus, Ohio

September 14, 2016



Dave Yost • Auditor of State

VILLAGE OF CASTINE

DARKE 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 29, 2016