



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Mendon
Mercer County
102 South Main Street
P.O. Box 167
Mendon, Ohio 45862

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Mendon (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 and Investments

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 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2013 balances in the documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2015 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2014 balances in the Cash Summary by Fund 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 Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2015 bank account balances with the Village's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2015 bank reconciliation. Exceptions of \$19.83 and \$13.79 were noted for the two STAROhio accounts held by the Village. These differences are due to the Fiscal Officer completing the bank reconciliations before interest for December was posted to the accounts. We found no other exceptions.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 bank reconciliation:

- a. We traced each debit to the subsequent January bank statements. 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 investments held at December 31, 2015 and December 31, 2014 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, 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 Receipt Detail Report. The second settlement for 2014 was posted at the net amount instead of the gross amount with a difference of \$1,317. The first settlement for 2015 was posted at the net amount instead of the gross amount with a difference of \$1,297. The Fiscal Officer should posts all tax settlements at gross and then post the deductions as expenditures to the fund to accurately state the proper amount of tax revenue received by the Village.
 - b. We determined whether the receipt was allocated to the proper fund 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 Receipt Detail Report to determine whether it included two real estate tax receipts for 2015 and 2014. We noted the Receipts Detail Report 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 Mercer County Audit Trail by Vendor Report from 2015 and five from 2014.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Detail 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.
4. We confirmed the amount paid from the Ohio Public Works Commission (OPWC) directly to the vendor for the Various Streets Improvements Project during 2014.
 - a. We determined whether the receipt was allocated to the proper fund. We found one exception.
 - b. We determined whether the receipt was recorded in the proper year. We found one exception.

OPWC paid \$117,000 on behalf of the Village to Brooks Construction Company, Inc., and the Village did not record this on-behalf payment. The net effect of posting the receipt of the grant money to the vendor results in a zero net effect, therefore no fund adjustment is necessary.

Water, Sewer, and Electric Funds

1. We haphazardly selected 10 Water Operating & Maint., Sewer Operating & Maint., Electric, Water Debt Service, Sewer Debt Service, Sewer Replacement, and Water Replacement Funds collection cash receipts from the year ended December 31, 2015 and 10 Water Operating & Maint., Sewer Operating & Maint., Electric, Water Debt Service, Sewer Debt Service, Sewer Replacement, and Water Replacement Funds collection cash receipts from the year ended 2014 recorded in the Receipt Detail Report and determined whether the:
 - a. Receipt amount per the Receipt Detail Report agreed to the amount recorded to the credit of the customers' accounts in the Monthly Deposit Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Daily Cash Receipts Journal 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 any applicable late penalties, plus unpaid prior billings (where applicable). We found no exceptions.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We read the Customer Delinquent Report.
 - a. We noted this report listed \$11,000 and \$16,047 of accounts receivable as of December 16, 2015 and December 17, 2014, respectively.
 - b. Of the total receivables reported in the preceding step, none were recorded as more than 90 days delinquent.
3. We read the Monthly Deposit Report.
 - a. We noted this report listed a total of \$1,983 and \$4,299 non-cash receipts adjustments for the years ended December 31, 2015 and 2014, respectively.
 - b. We selected five non-cash adjustments from 2015 and five non-cash adjustments from 2014, and noted that the President of the Board of Public Affairs approved each Monthly Deposit Report with adjustments included.

Debt

1. From the prior agreed-upon procedures documentation, we noted the following loans outstanding as of December 31, 2013. These amounts agreed to the Village's January 1, 2014 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2013:
OWDA Loan 2157	\$19,687.69
OPWC Loan CT36O	\$645,994.57

2. We inquired of management, and scanned the Receipt Detail Report and Payment Register Detail Report for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan debt activity for 2015 and 2014 and agreed principal and interest payments from the related debt amortization schedules to Water Debt Service 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.

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 Payment Register Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Client Prepared Spreadsheet to supporting documentation (timecard and legislatively-approved rate or salary). We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the Payment Register Detail Report. We found no exceptions.
 - c. 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 minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.

2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2015 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 2015. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2016	January 14, 2016	\$1,311.42	\$1,311.42
State income taxes	January 15, 2016	January 13, 2016	\$457.76	\$457.76
OPERS retirement	January 30, 2016	January 13, 2016	\$2,821.38	\$2,821.38
Ohio School District Income Tax	January 31, 2016	January 13, 2016	\$356.10	\$356.10

3. 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 Payment Register 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.

The amount paid was consistent with the information recorded in a. through c. above.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report 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 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 Section 5705.41(D). We found two instances where the certification date was after the vendor invoice date. *Then and Now Certificates* were issued, but the payment amounts exceeded \$3,000 and these certificates were not

approved by the Council. 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. *Then and Now Certificates* exceeding \$3,000 are required to be approved by the Council. 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 Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, State Highway, and Motor Vehicle License funds for the years ended December 31, 2015 and 2014. The amounts on the Certificate agreed to the amounts recorded in the accounting system, except for the General Fund. The Revenue Status Report recorded budgeted (i.e. certified) receipts for the General fund of \$48,627 and \$47,287 for 2015 and 2014 respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$45,522 and \$45,580 for 2015 and 2014 respectively. The fiscal officer 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 2015 and 2014 to determine whether, for the General, State Highway and Motor Vehicle License 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 Appropriation Status Report for 2015 and 2014 for the following funds: General, State Highway, and Motor Vehicle License Funds. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Appropriation Status Report. The Appropriation Status Report recorded appropriations for the General Fund as \$60,381 and \$51,531 for 2015 and 2014 respectively. However, the resolutions adopting final appropriations stated appropriations for the General Fund as \$53,150 and \$54,050 for 2015 and 2014 respectively. The Appropriation Status Report recorded appropriations for the State Highway Fund as \$26,276 and \$27,925 for 2015 and 2014 respectively. However, the resolutions adopting final appropriations stated appropriations for the State Highway Fund as \$18,900 for both 2015 and 2014. The Appropriation Status Report recorded appropriations for the Motor Vehicle License Fund as \$15,798 and \$15,003 for 2015 and 2014 respectively. However, the resolutions adopting final appropriations stated appropriations for the Motor Vehicle License Fund as \$11,000 for both 2015 and 2014. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the resolutions adopting final appropriations to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
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, State Highway, and Motor Vehicle License Funds for the years ended December 31, 2015 and 2014. We noted that General Fund appropriations for 2014 exceeded certified resources by \$4,235, 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.

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, State Highway, and Motor Vehicle License Funds, as recorded in the Appropriation Status Report. 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 Receipt Detail Report 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. We noted that the Council established the Gazebo Maint.– Park Special Revenue fund during 2014, and deposited \$1,456 of donations for maintaining a gazebo into it. However, Ohio Rev. Code Section 5705.09 does not require establishing this fund (i.e., there are no external restrictions limiting the use of its cash). Therefore, Ohio Rev. Code Section 5705.12 requires the Village to obtain the Auditor of State's permission to establish this fund. The Village did not obtain this permission. We therefore requested management to adjust this fund's remaining cash balance back to the General Fund. We noted the fiscal officer adjusted this amount on June 22, 2016. We also noted that the Council did not establish a fund during 2014 for OPWC grant revenue that was awarded and paid on behalf of the Village. This is not in compliance with Ohio Rev. Code Section 5705.09. This will not have an effect on fund balance.
7. We scanned the 2015 and 2014 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$1,000 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 Appropriation Status 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 Cash Summary by Fund Report for the years ended December 31, 2015 and 2014 for negative cash fund balances. Ohio Rev. Code Section 5705.10(l) 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 inquired of management and scanned the Payment Register Detail 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

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 HINKLE to verify the Village filed their financial information within the allotted timeframe for the years ended December 31, 2015 and 2014. No exceptions noted.

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

June 29, 2016

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VILLAGE OF MENDON

MERCER 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
JULY 26, 2016