



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, 2013 and 2012, 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, 2013 and December 31, 2012 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2012 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2011 balances in the prior year audited statements. The amounts did not agree due to two 2011 outstanding checks in the amount of \$330 were voided which adjusted the beginning balance by that amount. We also agreed the January 1, 2013 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2012 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, 2013 and 2012 fund cash balances reported in the Cash Summary by Fund Report. The amounts agreed.
4. We confirmed the December 31, 2013 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, 2013 bank reconciliation without exception.

**Cash (continued)**

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 bank reconciliation:
  - a. We traced each debit to the subsequent January and February bank statements. We found one check for \$136.84 dated September 7, 2012 that was still outstanding at February 28, 2014. We recommend the this check be followed up on and determined if it should be voided, re-issued or written off. We found no other 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.

**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 2013 and one from 2012:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. We found the second settlement for 2013 was posted at net amount instead of the gross amount with a difference of \$1,923.87. Therefore, we recommend that the Fiscal Officer 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(s) 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 Register Report to determine whether it included two real estate tax receipts for 2013 and 2012. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2013 and five from 2012. We also selected five receipts from the Mercer County Vendor History Report from 2013 and five from 2012.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
  - b. We determined whether these receipts were allocated to the proper fund(s). We found that a Community Development Block Grant receipt during 2012 was not posted to the proper fund. The receipt was posted to the Water Operating Fund, rather than a Capital Project fund. However, since the corresponding disbursement was also made out of the fund it was receipted into, it had a zero net affect and therefore, no fund adjustment is considered necessary.
  - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Ohio Public Works Commission (OPWC) directly to the vendors for the Waterline Replacement Project during 2012 with the Commission. The Commission reportedly paid \$388,000 on behalf of the Village to various vendors, and the Village did not record any of these on-behalf payments. The net effect of posting the receipt of the grant monies, loan proceeds and the capital outlay disbursement to the vendors results in a zero net effect, therefore no fund adjustment is necessary.

**Water, Sewer and Electric Funds**

1. We haphazardly selected 10 Water, Sewer and Electric Fund collection cash receipts from the year ended December 31, 2013 and 10 Water, Sewer and Electric Fund collection cash receipts from the year ended 2012 recorded in the Receipt Register Report and determined whether the:
  - a. Receipt amount per the Receipt Register Report agreed to the amount recorded to the credit of the customer's account in the Cash Receipt Journal report. The amounts agreed, except for one instance where the amount posted to the Receipt Register Report was \$177 lower than the amount on the Cash Receipt Journal for the month.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the Daily Cash 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. We found no exceptions.
  - c. Receipt was posted to the proper fund(s), and was recorded in the year received. We found no exceptions.
2. We read the Customer Delinquent Report.
  - a. We noted this report listed \$10,431 and \$9,156 of accounts receivable as of December 17, 2013 and 2012, respectively.
  - b. Of the total receivables reported in the preceding step, \$361 was recorded as more than 90 days delinquent as of December 17, 2013.
3. We read the Cash Receipt Journal.
  - a. We noted this report listed a total of \$5,927.84 and \$3,331.95 non-cash receipts adjustments for the years ended December 31, 2013 and 2012, respectively.
  - b. We selected five non-cash adjustments from 2013 and five non-cash adjustments from 2012, and noted that the President of the Board of Public Affairs approved each monthly report with adjustments included.

**Debt**

1. From the prior audit documentation, we noted the following loans outstanding as of December 31, 2011. These amounts did not agree to the Villages January 1, 2012 balances on the summary we used in step 3 as noted below:

Issue	Principal outstanding as of December 31, 2011:	Principal outstanding as of January 1, 2012
OWDA Loan	\$95,456	\$94,064
Truck Loan	\$3,813	\$3,310

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of note debt activity for 2013 and 2012 and agreed principal and interest payments from the related debt amortization schedule(s) to Water Debt Service Fund, Street, Water Operating, Sewer Operating and Electric funds 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.

**Debt (continued)**

4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Water Debt Service fund per the Receipt Register Report. For the OPWC Water Line Replacement Project Loan, the Village did not record OPWC \$679,994.28 debt proceeds and capital outlay to the Water Debt Service Fund. The net effect of this to the Water Debt Service Fund is zero, therefore, no fund adjustment is necessary.
5. For new debt issued during 2012, we inspected the debt legislation, noting the Village must use the proceeds for the Water Line Replacement Project. All payments were made directly to the vendor's by OPWC for the purpose of this project. We found no exceptions.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 from the Payment Register Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded on the Client Prepared Spreadsheet to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found one instance where an employee was paid for one hour less than the hours recorded on his timecard. We brought this to management's attention. Because we did not test all timecards, our report provides no assurance whether or not other similar errors occurred.
  - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. 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. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2013 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 2013. 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 & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2014	January 13, 2014	\$1,608.07	\$1,608.07
State income taxes	January 15, 2014	January 14, 2014	157.26	157.26
Ohio School District Income Tax	January 31, 2014	January 14, 2014	119.47	119.47
OPERS retirement	January 30, 2014	January 14, 2014	2,955.61	2,955.61

### Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2013 and ten from the year ended 2012 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 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 Revenue Status Report for the General, State Highway and Water Operating funds for the years ended December 31, 2013 and 2012. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General and Water Operating Funds. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$34,479 for 2013 and \$47,963 for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$30,830 and \$49,109 respectfully. Also the Revenue Status Report recorded budgeted (i.e. certified) resources for the Water Operating fund of \$364,146 for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$364,000. 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 2013 and 2012 to determine whether, for the General, State Highway and Water Operating 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 2013 and 2012 for the following funds: General, State Highway, and Water Operating funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
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 Water Operating funds for the years ended December 31, 2013 and 2012. We noted that General Fund appropriations for 2013 exceeded certified resources by \$1,025, 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.

**Compliance – Budgetary (continued)**

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, 2013 and 2012 for the General, State Highway and Water Operating fund, 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 Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2013 and 2012. We also inquired of management regarding whether the Village received new restricted receipts. We noted that the Village received Community Development Block Grant monies during 2012 which are restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund. The Village did not establish a new fund for these monies and their corresponding disbursements. However, since the receipts and disbursements equaled and both came out of the Water Operating fund, therefore no fund adjustment is necessary.
7. We scanned the 2013 and 2012 Revenue Status Reports and Appropriation Status 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 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, 2013 and 2012 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 inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 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" and a long, sweeping tail on the "y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 9, 2014

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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  
JUNE 3, 2014