



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Forest
Hardin County
211 West Lima Street
Forest, Ohio, 45843

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Forest, Hardin County (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, 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.
2. We agreed the January 1, 2013 beginning fund balances recorded in the MTD Fund Report to the December 31, 2012 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2014 beginning fund balances recorded in the MTD Fund Report to the December 31, 2013 balances in the MTD Fund Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2014 and 2013 fund cash balances reported in the MTD Fund Report. The amounts agreed.
4. We confirmed the December 31, 2014 bank account balances with the Village's financial institution. The confirmed balances included a payroll account in the amount of \$15,809.07 which was not reported on the bank reconciliation. The Village's outstanding checklist for the payroll account was \$15,697.59 for an unreconciled difference of \$111.48. This difference was due to an uncashed check and a withholding remittance recording error.

The failure to include all accounts and reconciling items on the bank reconciliation prevents the users from having a clear understanding of the Village's balances and activity.

All accounts under the control of the Village along with reconciling items should be included on the bank reconciliation. Reconciling differences should be investigated and eliminated.

Cash and Investments (Continued)

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 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 selected all reconciling credits (such as deposits in transit) haphazardly from the December 31, 2014 bank reconciliation:
 - a. We traced each credit to the subsequent January statement. We found no exceptions.
 - b. We agreed the credit amounts to the Detail Revenue Transaction Report. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
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.

Income Tax Receipts

1. We compared the allocation of income tax receipts for the years ended December 31, 2014 and 2013 to the Village's funds according to the allocation requirements of Ordinance No. 1824. The allocation agreed with the percentages the Ordinance requires.
2. We selected five income tax returns filed during 2014 and five from 2013.
 - a. We compared the payment amount recorded on the tax return to the amount recorded on the Tax Cash Receipts Journal. The amounts agreed.
 - b. We compared the Tax Cash Receipts Journal total from step a. to the amount recorded as income tax receipts in the Detail Revenue Transaction Report for that date. The amounts agreed.
4. We determined whether the receipts were recorded in the year received. We found no exceptions.
5. We selected five income tax refunds from 2014 and five from 2013.
 - a. We compared the refund paid from Detail Expense Transaction Report to the refund amount requested in the tax return. The amounts agreed.
 - b. We noted each of the refunds was approved by the Income Tax Clerk.
 - c. We noted the refunds were paid from the General Fund, as is required.

Water, Sewer, and Solid Waste Funds

1. We haphazardly selected 10 Water, Sewer, and Solid Waste collection cash receipts from the year ended December 31, 2014 and 10 Water, Sewer, and Solid Waste collection cash receipts from the year ended 2013 recorded in the Detail Revenue Transaction Report and determined whether the:
 - a. Receipt amount per the Detail Revenue Transaction Report agreed to the amount recorded to the credit of the customer's account in the Summary Cash Receipts by Cycle and Book. The amounts agreed.

Water, Sewer, and Solid Waste Funds (Continued)

- b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Utility Billing Journal 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. 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 Utility Billing Journal.
 - a. We noted this report listed \$47,730.40 and \$53,115.40 of accounts receivable as of December 31, 2014 and 2013, respectively.
 - b. Of the total receivables reported in the preceding step, \$1,356.45 and \$2,165.91 were recorded as more than 90 days delinquent.
 3. We read the Utility Bill Adjustment Journal.
 - a. We noted this report listed a total of \$51.15 and \$48.83 non-cash receipts adjustments for the years ended December 31, 2014 and 2013, respectively.
 - b. We selected all non-cash adjustments from 2014 and all non-cash adjustments from 2013, and noted that no one reviewed and approved the adjustments unless there was a leak or other larger adjustment. The failure to have someone independent of the billing and collection process approve all adjustments increases the risk of errors and/or irregularities. Someone independent of the billing and collection process should review and approve all adjustments to accounts.

Debt

1. From the prior audit documentation, we noted the following loans outstanding as of December 31, 2012. These amounts agreed to the Villages January 1, 2013 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2012:
TCF Garbage Truck Loan	\$92,174
OWDA Capitalization Grant Fund #3966	\$429,009
OWDA New Water Plant Engineering	\$578,552
OWDA New Water Plant Engineering #4445	\$19,375
OWDA New Water Plant Engineering #4296	\$10,000
OWDA Water Plant #4708	\$866,335
OWDA Phase 3 Sewer	\$486,648
OWDA Phase 4 Sewer Water Treatment Plant	\$863,890
OPWC Sanitary Sewer Collection Improvements Phase 3	\$28,000
OPWC Sanitary Sewer Collection Improvements Phase 4	\$22,744
OPWC CT52L	\$27,261

2. We inquired of management, and scanned the Detail Revenue Transaction Report and Detail Expense Transaction 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.

Debt (Continued)

3. We obtained a summary of loan debt activity for 2014 and 2013 and agreed principal and interest payments from the related debt amortization schedules to debt service fund payments reported in the Detail Expense Transaction Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
4. For new debt issued during 2014 and 2013, we inspected the debt legislation, noting the Village must use the proceeds to purchase a police cruiser. We scanned the Detail Expense Transaction Report and noted the Village purchased a police cruiser in December 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 Earnings Statement and:
 - a. We compared the hours and pay rate, or salary recorded in the Earnings Statement 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. 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 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(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. – 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:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2015	January 14, 2015	\$8,149.08	\$8,149.08
State income taxes	January 15, 2015	January 13, 2015	\$703.96	\$703.96
Village of Forest income taxes	January 31, 2015	December 31, 2014	\$523.83	\$523.83
OPERS retirement	January 30, 2015	January 13, 2015	\$6,235.99	\$6,235.99
OP&F retirement	January 31, 2015	January 13, 2015	\$2,488.43	\$2,488.43

Payroll Cash Disbursements (Continued)

4. 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 Payroll Detail Check Register 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 Consolidated Check Register Report for the year ended December 31, 2014 and ten from the year ended 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 Consolidated 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 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 Report for the General, Street and State Highway funds for the years ended December 31, 2014 and 2013. The amounts agreed.
2. We scanned the appropriation measures adopted for 2014 and 2013 to determine whether, for the General, Street and State Highway 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 Expense Report for 2014 and 2013 for the following funds: General, Street, and State Highway. The amounts on the appropriation resolutions agreed to the amounts recorded in the Expense 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, Street and State Highway 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 and State Highway funds, as recorded in the Expense Report. In 2013, the Street Fund had appropriations of \$101,175 and disbursements plus certified commitments of \$102,830.58.

Compliance – Budgetary (Continued)

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. In 2013, the Street Fund had appropriations of \$101,175 and disbursements plus certified commitments of \$102,830.58.

Disbursements in excess of appropriations can result in deficit spending. Budget and actual activity should be closely monitored to help assure disbursements plus certified commitments do not exceed appropriations.

6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Detail Revenue Transaction Report for evidence of new restricted receipts requiring a new fund during December 31, 2014 and 2013. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2014 and 2013 Detail Revenue Transaction Reports and Expense Reports for evidence of inter-fund 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 Expense 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, 2014 and 2013 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 Detail Expense Transaction 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.

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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

July 8, 2015

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VILLAGE OF FOREST

HARDIN 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
AUGUST 6, 2015**