



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Lafayette
Allen County
P.O. Box 7184
Lafayette, Ohio 45854

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of *the* Village of Lafayette (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 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 balances 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 Fund Ledger Report to the December 31, 2014 balances in the Fund Ledger 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 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 five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 bank reconciliation:
 - a. We traced three of the reconciling debits to the subsequent January bank statement. We found no exceptions. Check number 14589 dated December 1, 2015 in the amount of \$650 and check number 16176 dated July 7, 2010 in the amount of \$76 were still outstanding at the end of February. The Village should review old outstanding checks and follow up on them to determine if they need to be voided or reissued.
 - 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

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2015:

We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. The net receipt amount of the property tax receipt was recorded in the Receipt Register Report instead of the gross amount. Property tax receipts should be reported at the gross amount collected by the County Auditor with the related auditor and treasurer fees withheld by the County Auditor being recorded as disbursements. As a result of recording property tax receipts at the net amount, the 2015 General Fund receipts and disbursements were understated by \$1,131, respectively, for the tested receipt. The failure to record property tax receipts at the gross amount resulted in the understatement of activity in the accounting records and financial statements. Also monitoring of collections is inhibited since budgeted receipts recorded in the accounting system are based on the Amended Certificate of Estimated Receipts which reflects property taxes at the gross amount.

2. Property tax Statements should be reviewed to help ensure that receipts are recorded at the gross amount and related deductions are recorded as disbursements.
 - a. 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.
 - b. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
3. We scanned the Receipt Register Report to determine whether it included two real estate tax receipts for 2015. We noted the Receipts Register Report included the proper number of tax receipts for 2015.

Sewer Operating Fund

1. We haphazardly selected 10 Sewer Operating Fund collection cash receipts from the year ended December 31, 2015 and 10 Sewer Operating Fund collection cash receipts from the year ended 2014 recorded in the Detail Revenue Transactions Report and determined whether the:
 - a. Receipt amount per the Detail Revenue Transactions Report agreed to the amount recorded to the credit of the customer's account in the Monthly Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Monthly Report for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period plus any applicable late penalties and 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 Monthly Report.
 - a. We were not able to determine the total accounts receivable for December 31, 2015 and 2014 due to errors in the Monthly Report. The Village should contact its sewer billing software provider for assistance in correcting the overstated accounts. The Board of Public Affairs and Council should approve the adjustments needed to correct the accounts receivable report.
3. We read the Monthly Report.
 - a. We noted this report listed a total of \$50 and \$250 non-cash receipts adjustments for the years ended December 31, 2015 and 2014, respectively.
 - b. We selected all non-cash adjustments from 2015 and five non-cash adjustments from 2014, and noted that the Board of Public Affairs approved the adjustments.

Debt

1. From the prior agreed-upon procedures documentation, we noted the following bond and loan outstanding as of December 31, 2013.

Issue	Principal outstanding as of December 31, 2013:
USDA – Sewer Mortgage Revenue Bonds	\$112,500
OWDA #4143	\$ 65,013

We also noted that the debt listed in the table below was issued during 2012 and outstanding as of December 31, 2013 but was not included in the prior year agreed-upon procedures documentation:

Issue	Principal outstanding as of December 31, 2013:
Liberty National Bank – Promissory Note	\$21,403

These amounts agreed to the Villages January 1, 2014 balances on the summary we used in step 3.

2. We inquired of management, and scanned the Receipt Register 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 and bonded debt activity for 2015 and 2014 and agreed principal and interest payments from the related debt amortization schedules to General and Enterprise 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.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Enterprise Debt Service fund per the Receipt Register Report. We noted the Village entered into two additional OWDA loans, OWDA Loan #6912 in the amount of \$54,597 and OWDA Loan #7079 in the amount of \$45,190, during 2015 for a sewer improvement project. OWDA made the disbursements on behalf of the Village for this project and the Village failed to record the OWDA loan proceeds and related capital outlay disbursements in the Enterprise Debt Service fund.
5. For new debt issued during 2015, we inspected the debt legislation, noting the Village must use the proceeds for a sewer improvement projects. For OWDA Loan #6912 in the amount of \$54,597 and OWDA Loan #7079 in the amount of \$45,190, the payments to contractors were made on-behalf of the Village by OWDA. However, as noted in step 4 above, the Village failed to record the OWDA loan proceeds and related capital outlay disbursements in the Enterprise Debt Service fund.

Failure to record the debt proceeds and related disbursements for the OWDA loans resulted in the understatement of activity in the accounting records and financial statements.

The accounting system should be reviewed to help ensure that debt proceeds and the related disbursements are recorded by the Village.

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 Employee Detail Adjustment Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report 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 and funds 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, 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 28, 2016	\$1,432.67	\$1,432.67
State income taxes	January 15, 2016	January 29, 2016	\$158.38	\$158.38
OPERS retirement	January 30, 2016	December 28, 2015	\$898.96	\$898.96

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 eight instances in 2015 and one in 2014 where the certification date was after the invoice date, and there was no evidence that a Then and Now Certificate was issued. 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 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, Street, and Sewer Operating funds for the years ended December 31, 2015 and 2014. The Revenue Status Report recorded budgeted resources for the General Fund of \$39,387.65 for 2015, and \$46,000.00 in 2014. However, the final Amended Official Certificate of Estimated Resources reflected \$65,200 for 2015 and \$40,875.45 for 2014. Additionally, the Revenue Status Report recorded budgeted resources for the Street Fund of \$15,000.00 for 2015. However, the final Amended Official Certificate of Estimated Resources reflected \$12,000 for 2015. Furthermore, the Revenue Status Report recorded budgeted resources for the Sewer Operating Fund for \$105,000 for 2015. However, the final Amended Official Certificate of Estimated Resources reflected \$92,000 for 2015. 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, Street, and Sewer 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 2015 and 2014 for the following funds: General, Street, and Sewer. 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, Street, and Sewer Operating funds for the years ended December 31, 2015 and 2014. We noted no funds for which appropriations exceeded certified resources in 2015. We noted that the General Fund appropriations for 2014 exceeded certified resources by, \$27,429.17, the Street Fund appropriations for 2014 exceeded certified resources by, \$5,154.73, and the Sewer Operating Fund appropriations for 2014 exceeded certified resources by \$37,706.87, 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, Street, and Sewer 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, 2015 and 2014. 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 2015 and 2014 Revenue Status Reports and Appropriation Status 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.

Compliance – Budgetary (Continued)

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 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, 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 AFDRS 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.



Dave Yost
Auditor of State

Columbus, Ohio

July 19, 2016



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VILLAGE OF LAFAYETTE

ALLEN 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 30, 2016