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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 (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, 2016 and 2015, 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, 2016 and December 31, 2015 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2015 beginning fund balances recorded in the YTD Fund Report to the December 31, 2014 balances in documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2016 beginning fund balances recorded in the YTD Fund Report to the December 31, 2015 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, 2016 and 2015 fund cash balances reported in the MTD Fund Report. The amounts agreed.
4. We confirmed the December 31, 2016 bank account balances for the checking account, payroll account, money market account, and certificates of deposit with the Village's financial institution. We found no exceptions. We observed the year-end STAR Ohio account balance on the financial institution's website. The balance agreed. We attempted to agree the confirmed balances to the amounts appearing on the December 31, 2016 bank reconciliation. The confirmed bank account balances included a payroll account in the amount of \$14,100.47 which was not reported on the bank reconciliation. The Village's outstanding checklist for the payroll account was \$13,988.99 for an unreconciled difference of \$111.48. This difference was due to a withholding remittance recording error.

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

Cash and Investments (Continued)

All accounts under the control of the Village along with reconciling items should be included on the cash reconciliation. Reconciling differences should be investigated and eliminated. The failure to do so increases the risk of errors and/or irregularities not being detected timely by Council.

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2016 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 the one reconciling credit (such as deposits in transit) from the December 31, 2016 cash reconciliation:
 - a. We attempted to trace the one credit to the subsequent January or February bank statement.
 - b. We attempted to agree the credit amount to the Detail Revenue Transaction Report.

The one reconciling credit (reported as a deposit in transit) in the amount of \$145 consisted of a returned check for \$87 and an unexplained amount of \$58. The \$87 returned check was agreed to the Detail Revenue Transaction Report in January. The \$58 remained unexplained.

Unsupported reconciling items should be investigated and resolved in a timely manner. The failure to do so increases the risk of errors and/or irregularities not being detected timely by Council.

7. We tested investments held at December 31, 2016 and December 31, 2015 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, 2016 and 2015 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 2016 and five from 2015.
 - a. We compared the payment amount recorded on the tax return to the amount recorded on the Tax Cash Receipt Journal. The amounts agreed.
 - b. We compared the cash register tape total from step a. to the amount recorded as income tax receipts in the Tax Cash Receipt Journal for that date. The amounts agreed.
3. We determined whether the receipts were recorded in the year received. We found no exceptions.
4. We selected five income tax refunds from 2016 and five from 2015.
 - a. We compared the refund paid from Detailed Expense Transaction Report to the refund amount requested in the tax return. The amounts agreed.
 - b. We noted each of the refunds were approved by the Income Tax Administrator.
 - c. We noted the refunds were paid from the General Fund, as is required.

Water, Sewer, and Solid Waste Funds Charges for Services

1. We haphazardly selected 10 Water, Sewer, and Solid Waste Fund collection cash receipts from the year ended December 31, 2016 and 10 Water, Sewer, and Solid Waste Fund collection cash receipts from the year ended 2015 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.
 - 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 \$50,953.46 and \$48,389.54 of accounts receivable as of December 31, 2016 and 2015, respectively.
 - b. Of the total receivables reported in the preceding step, \$1,135.82 and \$516.95 were recorded as more than 90 days delinquent.

3. We read the Utility Billing Adjustment Journal.
 - a. We noted this report listed a total of (\$320.15) and \$3,664.52 non-cash receipts adjustments for the years ended December 31, 2016 and 2015, respectively.
 - b. We selected all non-cash adjustments from 2016 and five non-cash adjustments from 2015, 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 agreed-upon procedures documentation, we noted the following loans outstanding as of December 31, 2014. These amounts agreed to the Villages January 1, 2015 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2014:
TCF Garbage Truck Loan	\$42,515
OWDA Capitalization Grant Fund #3966	\$477,934
OWDA New Water Plant Engineering	\$343,682
OWDA New Water Plant Engineering #4445	\$11,625
OWDA New Water Plant Engineering #4296	\$5,000
OWDA Water Plant #4708	\$808,307
OWDA Phase 3 Sewer	\$423,854
OWDA Phase 4 Sewer Water Treatment Plant	\$765,160
OPWC Sanitary Sewer Collection Improvements Phase 3	\$24,500
OPWC Sanitary Sewer Collection Improvements Phase 4	\$15,750
OPWC CT52L	\$24,232
Village of Forest Police Cruiser	\$18,638

Debt (Continued)

2. We inquired of management, and scanned the Detailed Revenue Transactions Report and the Detailed Expense Transaction Report for evidence of debt issued during 2016 or 2015 or debt payment activity during 2016 or 2015. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan debt activity for 2016 and 2015 and agreed principal and interest payments from the related debt amortization schedule(s) 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. We attempted to agree the amount of the 2015 loan proceeds from the debt documents to amounts recorded in the Detailed Revenue Transaction Report. Loan proceeds in the amount \$20,000, paid directly to the seller by the bank, however, the "memo" proceeds were not recorded in the Detailed Revenue Transaction Report.

Loan or other debt proceeds paid directly to the seller by the financial institution should be recorded in the appropriate fund as a receipt. The failure to record such activity understates the financial activity of the Village.

5. For new debt issued during 2015, we inspected the debt legislation, noting the Village must use the proceeds to purchase a building. We scanned the Detail Expense Transaction Report for evidence of the building purchase. The proceeds of the loan in the amount of \$20,000 were paid directly to the seller by the bank, however, the "memo" purchase of the building was not recorded in the accounting records or financial statements.

Loan or other debt proceeds paid directly to the seller by the financial institution should be recorded in the appropriate fund as a disbursement. The failure to record such activity understates the financial activity of the Village.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2016 and one payroll check for five employees from 2015 from the Detail Work Register Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Detail Work Register 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(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.

Payroll Cash Disbursements (Continued)

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2016 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 2016. 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, 2017	January 17, 2017	\$9,967.87	\$9,967.75
State income taxes	January 17, 2017	January 12, 2017	\$560.55	\$560.55
Village of Forest income tax	February 28, 2017	January 12, 2017	\$375.49	\$375.49
OPERS retirement	January 31, 2017	January 17, 2017	\$4,209.93	\$4,209.93
OP&F retirement	January 31, 2017	January 18, 2017	\$2,603.52	\$2,603.52

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 Detail Work 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 Cash Reconciliation Report for the year ended December 31, 2016 and ten from the year ended 2017 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/ Voucher 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 MTD/YTD Revenue Report for the General, Street, and Sewer funds for the years ended December 31, 2016 and 2015. The amounts agreed.

Compliance – Budgetary (Continued)

2. We scanned the appropriation measures adopted for 2016 and 2015 to determine whether, for the General, Street and Sewer 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 Annual Appropriations for 2016 and 2015 for the following funds: General, Street, and Sewer. The amounts on the appropriation resolutions agreed to the amounts recorded in the Comparison of Cash Disbursements and Encumbrances with Expenditure Authority- (All Budgeted Funds) 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 funds for the years ended December 31, 2016 and 2015. 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, 2016 and 2015 for the General, Street and Sewer funds, as recorded in the Comparison of Cash Disbursements and Encumbrances with Expenditure Authority- (All Budgeted Funds) 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 Detailed Revenue Transaction Report for evidence of new restricted receipts requiring a new fund during December 31, 2016 and 2015. 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 2016 and 2015 Detailed Revenue Transaction Report and Reconciliation of Inter-fund Transactions by Fund 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 Annual Appropriations 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 YTD Fund Report for the years ended December 31, 2016 and 2015 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, 2016 and 2015 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, 2016 and 2015. In 2015 only the Notes to the Financial Statements were filed on the HINKLE system by the deadline.
2. We inquired of the fiscal officer and/or 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 Clerk/Treasurer is in the process of obtaining the required training and has to the end of her term to complete the training.
3. Ohio Rev. Code Section 718.07 requires the tax administrator of a municipal corporation that imposes a tax on income in accordance with this chapter shall make electronic versions of any rules or ordinances governing the tax available to the public through the internet, including, but not limited to, ordinances or rules governing the rate of tax; payment and withholding of taxes; filing any prescribed returns, reports, or other documents; dates for filing or paying taxes, including estimated taxes; penalties, interest, assessment, and other collection remedies; rights of taxpayers to appeal; procedures for filing appeals; and a summary of taxpayers' rights and responsibilities. The tax administrator shall make blanks of any prescribed returns, reports, or documents, and any instructions pertaining thereto, available to the public electronically through the internet. Electronic versions of rules, ordinances, blanks, and instructions shall be made available by posting them on the electronic site established by the tax commissioner under section 5703.49 of the Revised Code and, if the municipal corporation or tax administrator maintains an electronic site for the posting of such documents that is accessible through the internet, by posting them on that electronic site. If a municipal corporation or tax administrator establishes such an electronic site, the municipal corporation shall incorporate an electronic link between that site and the site established pursuant to section 5703.49 of the Revised Code, and shall provide to the tax commissioner the uniform resource locator of the site established pursuant to this division. We review the Village's website to verify compliance with the requirements of Ohio Rev. Code Section 718.07. The Village's website did not include an electronic version of the income tax ordinance and there was not a link to the Tax Commissioner's website as required by Ohio Rev. Code Section 5703.49. The Income Tax Administrator and Council should ensure that the Village website is in compliance with Ohio Rev. Code Section 718.07.

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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 25, 2017



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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
MAY 11, 2017