



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of West Alexandria
Preble County
West Alexandria, Ohio

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of West Alexandria (the Village) and the Auditor of State 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 Fund Status 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 Fund Status Report to the December 31, 2013 balances in the Fund Status 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 Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2014 bank account balances with the Village's financial institutions and also observed the year-end bank balances on the financial institution's website [as applicable]. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2014 bank reconciliation without exception.
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 bank 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.

Cash and Investments (Continued)

6. 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.

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 2014 and one from 2013:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Detail Report. The amounts agreed.
 - b. 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.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue Detail Report to determine whether it included two real estate tax receipts for 2014 and 2013. We noted the Revenue 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 2014 and five from 2013. We also selected five receipts from the County Auditor's Ledger from 2014 and five from 2013.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue 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 amounts paid from the Preble County Auditor to the Village for grants during 2013 with the Preble County Auditor. We confirmed the amounts paid from the Ohio Public Works Commission to the Village during 2013 with the Ohio Public Works Commission. We confirmed the grant amount paid from the State of Ohio to the Village during 2014 with the State of Ohio. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

1. 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 Daily Ledger. The amounts agreed.
 - b. We compared the cash register tape total from step a. to the amount recorded as income tax receipts in the Revenue Detail Report for that date. The amounts agreed.
2. We determined whether the receipts were recorded in the year received. We found no exceptions.

Income Tax Receipts (Continued)

3. We selected five income tax refunds from 2014 and five from 2013.
 - a. We compared the refund paid from Expense Detail Report to the refund amount requested in the tax return. The amounts agreed.
 - b. We noted each of the refunds were approved by Karen Mays, Income Tax Administrator.
 - c. We noted the refunds were paid from the Income Tax Fund, as is required.

Over-The-Counter Cash Receipts

We haphazardly selected 10 over-the-counter cash receipts from the year ended December 31, 2014 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Revenue Detail Report. The amounts agreed.
- b. Receipt was posted to the proper fund, and was recorded in the proper year. We found no exceptions

Water, Sewer and Refuse Funds

1. We haphazardly selected 10 Water, Sewer and Refuse Funds collection cash receipts from the year ended December 31, 2014 and 10 Water, Sewer and Refuse Funds collection cash receipts from the year ended 2013 recorded in the Revenue Detail Report and determined whether the:
 - a. Receipt amount per the Revenue Detail Report agreed to the amount recorded to the credit of the customer's account in the Customer Balance Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Customer Balance 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. For 2013 and 2014 combined we found a total variance of \$15.65 in water charges and a variance of \$26.42 for sewer charges. Because we did not test all water, sewer, refuse receipts our report provides no assurance whether or not additional similar errors occurred.
 - 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 \$22,775 and \$22,043 of accounts receivable as of December 31, 2014 and 2013, respectively.
 - b. Of the total receivables reported in the preceding step, \$625 and \$580 were recorded as more than 90 days delinquent.
3. We read the Daily Cash Receipt Journal for Adjustments.
 - a. We noted this report listed a total of \$10,054 and \$10,775 non-cash receipts adjustments for the years ended December 31, 2014 and 2013, respectively.
 - b. We selected five non-cash adjustments from 2014 and five non-cash adjustments from 2013, and noted that the Village Administrator approved 2 of the 5 adjustments tested in 2014 and approved 1 of the 5 tested in 2013. Because we did not test all non-cash adjustments our report provides no assurance whether or not additional similar errors occurred.

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.

Debt (Continued)

<u>Issue</u>	<u>Principal outstanding as of December 31, 2012:</u>
Ohio Public Works Commission Loan CK24C	\$17,628
Ohio Public Works Commission Loan CK09E	\$210,568
Ohio Public Works Commission Loan CK12G	\$183,188
Ohio Water Development Authority Loan #4419	\$1,092,818

2. We inquired of management, and scanned the Revenue Detail Report and Expense Detail 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.
3. We obtained a summary of loan debt activity for 2014 and 2013 and agreed principal and interest payments from the related debt amortization schedule(s) to debt service fund payments reported in the Expense 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 Fire Truck Reserve fund per the Revenue Detail Report. The amount varied by \$365 in 2013.
5. For new debt issued during 2014 and 2013, we inspected the debt legislation, noting the Village must use the proceeds to purchase a fire truck. We scanned the Expense Detail Report and noted the Village purchased a fire truck in September of 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 Payroll Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. 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 employees' personnel files and volunteer pay ordinances. 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, and volunteer pay ordinances 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:

Payroll Cash Disbursements (Continued)

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, 2015	December 24, 2014	\$1,704.18	\$1,704.18
State income taxes	February 2, 2015	January 29, 2015	\$5,688.95	\$5,688.95
Village of West Alexandria income taxes	January 31, 2015	January 8, 2015	\$470.30	\$470.30
OPERS retirement	January 30, 2015	January 22, 2015	\$4,885.01	\$4,885.01
OP&F retirement	January 31, 2015	January 26, 2015	\$1,551.98	\$1,551.98

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 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 Expense Detail 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 Expense Detail Report and to the names and amounts on the supporting invoices. We found one exception in which the Village was making payments on a lease that had not been renewed during the audit period [the lease had only been renewed verbally].
 - 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 one instance where the certification date was after the vendor invoice date, and there was also 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.
2. We scanned all credit card disbursements from the Expense Detail Report for the years ended December 31, 2014 and 2013 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions. However, the Village does not have a policy governing proper public purpose.

Non-Payroll Cash Disbursements (Continued)

The Ohio Supreme Court case of State ex. rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. As stated in McClure, "generally, a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants." Id. at 325. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

Ohio Attorney General Opinion 82-006, citing McClure, provides that the determination of the proper public purpose of an expenditure of funds for "coffee, meals, refreshments, and other amenities is a legislative decision...." As such, the decision to expend public funds "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision and the rationale for the decision must be memorialized by a duly enacted ordinance or resolution..."

During the audit period the Village made expenditures for coffee, meals, refreshments, and other amenities. The Village Council did not pass a formal policy regarding its views on the proper public purpose guidelines for these expenditures. The absence of such a policy could allow expenditures that do not promote the goals or mission of the Village and may result in expenditures to be deemed an improper public purpose subject to findings for recovery.

Council should thoroughly review Auditor of State Bulletins 2003-005 and 2004-002 and memorialize, by resolution, their decision that expenditures [such as mentioned above] constitute a proper public purpose by adopting a formal policy that states Council's view on what expenditures constitute a proper public purpose to support the Village's goals or mission. The policy should establish a system of controls that establishes the type of expenditures allowable.

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 Detail Report for the General, Street Lights and Water 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 Light and Water 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 Detail Report for 2014 and 2013 for the following funds: General, Street Light, and Water Funds. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Expense Detail report. In 2014 the Expense Detail Report recorded appropriations for the General, Street Light, and Water Funds of \$490,951, \$40,500, and \$431,801, respectively. However, the appropriations resolution reflected \$480,000, \$29,000, and \$425,000, respectively. In 2013 the Expense Detail Report recorded appropriations for the General, Street Light, and Water Funds of \$509,698, \$40,500, and \$459,295, respectively. However, the appropriations resolution reflected \$494,000, \$41,333, and \$445,000, respectively. The fiscal officer should periodically compare amounts recorded in the Expense Detail Report to amounts recorded on appropriation resolutions to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.

Compliance – Budgetary (Continued)

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 Light and Water 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 Lights and Water Funds, as recorded in the Expense Detail Report. We noted that the General Fund and Street Light Fund expenditures for 2014 exceeded total appropriations by \$83,449 and \$10,298, respectively, contrary to Ohio Rev. Code Section 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue Detail 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. The Village received money from a drug bust in 2014 and created a separate bank account to deposit these monies. However, the Village did not record these monies in the accounting system. The Village should establish a Law Enforcement Trust Fund in the accounting system.
7. We scanned the 2014 and 2013 Revenue Detail Reports and Expense Detail 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 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 Expense Detail 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.

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

March 31, 2016



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VILLAGE OF WEST ALEXANDRIA

PREBLE 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
DECEMBER 8, 2016