



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of East Sparta
Stark County
9353 Main Avenue
East Sparta, Ohio 44626

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of East Sparta (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, 2012 and 2011, 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, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning fund balances recorded in the Fund Status Report to the December 31, 2010 balances in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the Fund Status Report to the December 31, 2011 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, 2012 and 2011 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2012 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, 2012 bank reconciliation. We noted an un-reconciled difference of \$10.

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 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.

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 2012 and one from 2011:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register 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 Receipt Register Report to determine whether it included two real estate tax receipts for 2012 and 2011. 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 2012 and five from 2011. We also selected five receipts from the County Auditor's Settlement Reports from 2012 and five from 2011.
 - 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 funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Over-The-Counter Cash Receipts

We haphazardly selected 10 over-the-counter cash receipts from the year ended December 31, 2012 and 10 over-the-counter cash receipts from the year ended December 31, 2011 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Receipt Register Report. The amounts agreed.
- b. Amount charged complied with rates in force during the period. We found that rates and fees for the Sandy Valley Community Park for the period January 1, 2011 – April 15, 2012 had not been formally approved by Council. Council approved the Sandy Valley Community Park rates and fees on April 16, 2012 through Ordinance #O-4-12-04.
- c. Receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

Water Fund

1. We haphazardly selected 10 Water Fund collection cash receipts from the year ended December 31, 2012 and 10 Water Fund collection cash receipts from the year ended 2011 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 Quarterly Paid Water Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Quarterly Paid Water 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]. We found no exceptions.
 - c. Receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.

2. We read the Quarterly Paid Water Report.
 - a. We noted this report listed \$4,863 and \$3,681 of accounts receivable as of December 31, 2012 and 2011, respectively.
 - b. Of the total receivables reported in the preceding step, \$0 and \$0 were recorded as more than 90 days delinquent.

Debt

1. From the prior agreed-upon procedures documentation, we noted the following loans outstanding as of December 31, 2010. These amounts agreed to the Villages January 1, 2011 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2010:
OWDA Water System Improvements Loan #3172	\$35,029
OWDA Water System Design Loan #5612	\$245,438
OPWC Water System Improvement Loan #CS08B	\$86,428
Bank of Magnolia Sewer Project Loan	\$9,712

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Report for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. All debt noted agreed to the summary we used in step 3.

3. We obtained a summary of loan debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedules to the General, Street Construction, Maintenance & Repair and Water 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 one instance where a debt payment to the Bank of Magnolia for the truck loan in the amount of \$823 due on November 24, 2012 was paid on December 31, 2012.

4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the General and Water Funds per the Receipt Register Report. We noted that that during 2012, a loan disbursement was made by OWDA for Loan #5612 on December 27, 2012 in the amount of \$3,226 that was not recorded by the Village until January 18, 2013. Also during 2012, we noted that debt documents for the Bank of Magnolia truck loan included \$175 for a loan origination fee as proceeds that were not recorded in the Receipt Register Report.
5. For new debt issued during 2012 and 2011, we inspected the debt legislation, noting the Village must use the proceeds for water system design and to purchase a new truck. We scanned the Payment Register Detail Report and noted the Village expended monies for water system design throughout 2012 and 2011, and purchased a truck in November 2012. The unspent proceeds of the Bank of Magnolia truck loan were \$1,026 as of December 31, 2012.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 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 that park employees pay rates were not approved by Council until April 16, 2012.
 - 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 General Information Report. 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, 2012 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 2012. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare <u>(and social security, for employees not enrolled in pension system)</u>	January 31, 2013	January 10, 2013	\$1,242.15	\$1,242.15
State income taxes	January 15, 2013	January 16, 2013	\$210.12	\$210.12
OPERS retirement	January 30, 2013	January 16, 2013	\$1,985.45	\$1,985.45

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2012 and ten from the year ended 2011 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 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 seven instances 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.

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 Construction, Maintenance & Repair and Water Funds for the years ended December 31, 2012 and 2011. The amounts on the Certificate agreed to the amount recorded in the accounting system, except for the General and Water Funds. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$222,816 for 2012. However, the final Amended Official Certificate of Estimated Resources reflected \$237,401. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Water Fund of \$307,609 for 2012. However, the final Amended Official Certificate of Estimated Resources reflected \$305,609. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$167,800 for 2011. However, the final Amended Official Certificate of Estimated Resources reflected \$168,300. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Water Fund of \$344,318 for 2012. However, the final Amended Official Certificate of Estimated Resources reflected \$344,381. 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 2012 and 2011 to determine whether, for the General, Street Construction, Maintenance & Repair 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 Appropriation Status Report for 2012 and 2011 for the following funds: General, Street Construction, Maintenance & Repair and Water. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report, except for the General and Water Funds. The Appropriation Status Report recorded budgeted appropriations for the General Fund of \$315,168 for 2012. However, the appropriations approved

by Council were \$330,673. The Appropriation Status Report recorded budgeted appropriations for the General Fund of \$343,875 for 2011. However, the appropriations approved by Council were \$345,317. The Appropriation Status Report recorded budgeted appropriations for the Water Fund of \$382,855 for 2011. However, the appropriations approved by Council were \$383,438. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts approved by Council to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.

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 Construction, Maintenance & Repair and Water Funds for the years ended December 31, 2012 and 2011. 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, 2012 and 2011 for the General, Street Construction, Maintenance & Repair and Water Funds, 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, 2012 and 2011. 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 2012 and 2011 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$100 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.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2012 and 2011 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".

Dave Yost
Auditor of State

May 28, 2013

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VILLAGE OF EAST SPARTA

STARK 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 18, 2013**