



**VILLAGE OF EAST SPARTA
STARK COUNTY**

AGREED UPON PROCEDURES

FOR THE YEARS ENDED DECEMBER 31, 2009-2010



Dave Yost • Auditor of State



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Village of East Sparta
Stark County
9353 East Main Street
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, 2010 and 2009, 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to provide attest services to the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2010 and December 31, 2009 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2009 beginning fund balances recorded in the Fund Status Report to the December 31, 2008 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2010 and 2009 fund cash balances reported in the Fund Status Reports. The amounts agreed.

4. We confirmed the December 31, 2010 bank account balances with the Village's financial institution. We found one exception where interest was not recorded on the books and records of the Village in the amount of \$147.08. We also agreed the confirmed balances to the amounts appearing in the December 31, 2010 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2010 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.
6. We selected the reconciling credit (such as deposits in transit) from the December 31, 2010 bank reconciliation:
 - a. We traced the credit to the December bank statement noting the amount cleared after the reconciliation was completed. We found no exceptions.
 - b. We agreed the credit amount to the Receipts Register. The credit was recorded as a December receipt for the same amount recorded in the reconciliation.

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 2010 and one from 2009:
 - 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 fund(s) 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 the proper number of tax receipts for 2010 and 2009:
 - a. Two personal property tax receipts
 - b. Two real estate tax receiptsWe noted the Receipts Register Report included the proper number of tax settlement receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2010 and five from 2009. We also selected five receipts from the County Auditor's DTLs "*Stark County Confirmation 2010 Disbursements*" from 2010 and four from 2009.
 - a. We compared the amount from the DTL to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

4. We agreed the amounts paid from the Countywide Landfill to the Village during 2010 with the signed agreement. We also agreed the amounts paid from the Ohio EPA to the Village during 2009 with the signed agreement. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - b. 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, 2010 and 10 over-the-counter cash receipts from the year ended 2009 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.
- c. Receipt was posted to the proper fund(s), 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, 2010 and 10 collection cash receipts from the year ended 2009 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 Accounts Receivables Water Account Ledger. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Accounts Receivables Water Account Ledger 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 Accounts Receivables Water Account Ledger.
 - a. We noted this report listed \$38,236.80 and \$6,655.21 of accounts receivable as of December 31, 2010 and 2009, respectively.
 - b. Of the total receivables reported in the preceding step, the Village does not keep a listing of amounts more than 90 days delinquent.
3. We noted no non-cash A/R adjustments report maintained by the Village.

Debt

1. From the prior audit report, we noted the following loans outstanding as of December 31, 2008. These amounts agreed to the Villages January 1, 2009 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2008:
OPWC Commission Loan	\$105,635
OWDA Loan	\$41,155
Bank of Magnolia (2006)	\$23,419
Bank of Magnolia (2008)	\$50,125

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. We noted one new debt issuance which is a reimbursement loan from OWDA. The outstanding balance as of December 31, 2010 was \$245,437.61.
3. We obtained a summary of note debt activity for 2010 and 2009 and agreed principal and interest payments from the related debt amortization schedules to the General Fund and Water 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 instances where the principal and interest were not accurately stated, however, payments were correct in total.
4. For new debt issued during 2010 and 2009, we inspected the debt legislation, noting the Village must use the proceeds to install a new Water System. We scanned the Payment Register Detail Report and noted the Village expenditures included amounts for design and engineering for the project. We noted the new debt was a reimbursable loan and the proceeds were not fully received or spent during the period. The unspent balance as of December 31, 2010 was \$224,320.39.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2010 and one payroll check for five employees from 2009 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 noted park employee pay rates were not included in the ordinance designating pay rates for the Village. We also found one instance where an employee was paid for two hours more than the hours recorded on his timecard. We also found one instance where an employee was paid for 24.25 hours more than the hours recorded on the timesheet. Because we did not test all timecards, our report provides no assurance whether or not other similar errors occurred.
 - 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 minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.

2. We determined whether the following information in the employees' personnel information 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 3 exceptions related to State income tax withholding authorization, 2 exceptions related to Federal income tax withholding, and 2 exceptions related to retirement system participation. The Village should update the employee files to properly record the required documentation. Because we did not test all withholding forms, our report provides no assurance whether or not similar errors occurred.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2010 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 2010. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2011	01/13/2011	\$1,308.51	\$1,308.51
State income taxes	January 15, 2011	01/13/2011	\$220.02	\$220.02
OPERS retirement	January 30, 2011	01/13/2011	\$2,129.87	\$2,129.87

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2010 and ten from the year ended 2009 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 no exceptions.

Compliance – Budgetary

1. We compared the total amounts 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, Park and Water funds for the years ended December 31, 2010 and 2009. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$178,520.34 and \$138,357.00 for 2010 and 2009, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$181,520.32 and \$199,969.00 for 2010 and 2009, respectively. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Park fund of \$114,500.00 and \$72,000.00 for 2010 and 2009, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$119,500.00 and \$137,250.00 for 2010 and 2009, respectively. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Water fund of \$125,000.00 for 2010. However, the final *Amended Official Certificate of Estimated Resources* reflected \$594,758.00 for 2010. 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 2010 and 2009 to determine whether, for the General, Park 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 2010 and 2009 for the following funds: the General, Park and Water funds. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Appropriation Status report. Exceptions were noted in all two funds. The General and Park Protection funds were understated on the Appropriation Status Report in 2010 by \$60,612 and \$65,250, respectively. Also, the General Fund was understated on the Appropriation Status Report in 2009 by \$26,284.74. The Council should monitor the Adopted Appropriation closely to ensure they match the Appropriation Status Report to ensure that the proper amount is budgeted for expenditures.
4. Ohio Rev. Code Section 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Park and Water funds for the years ended December 31, 2010 and 2009. 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, 2010 and 2009 for the General, Park and Water 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, 2010 and 2009. 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 2010 and 2009 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$1,000 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.
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

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2010 and 2009 for material or labor procurements which exceeded \$25,000, and therefore required competitive bidding under Ohio Rev. Code Section 731.14.

We identified a paving project exceeding \$25,000 in 2010 and 2009, subject to Ohio Rev. Code Section 731.14. We also noted a Waterline project exceeding \$25,000 in 2010 subject to Ohio Rev. Code Section 731.14. For these projects, we noted that the Council advertised the project in a local newspaper, and selected the lowest responsible bidder, however, it was noted the Village did not properly advertise the paving project in 2009. The project was advertised for three consecutive days rather than two weeks.

2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2010 and 2009 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 did not receive a response from Officials to the exceptions reported above.

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

October 19, 2011

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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
NOVEMBER 10, 2011