



Dave Yost • Auditor of State





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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Spencerville Village  
Allen County  
116 S. Broadway  
Spencerville, Ohio 45887-1267

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Spencerville Village (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, including mayor's court receipts, disbursements and balances, 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 and Investments

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 Ledger Report to the December 31, 2010 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, 2012 and 2011 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed various December 31, 2012 bank account balances with the Village's financial institutions. We found no exceptions. We also observed the other year-end bank balances on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.

### **Cash and Investments (Continued)**

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 financial institutions website. We found no exceptions.
  - b. We traced the amounts and dates to the Payment Register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We tested interbank account transfers occurring in December of 2012 and 2011 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
7. We tested investments held at December 31, 2012 and December 31, 2011 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 and Intergovernmental 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 exception except for the second-half settlement of 2012 deductions were posted all to the General Fund in the amount of \$966. The proper allocation of the second half settlement deductions was \$650 for General Fund (1000); \$310 for Sidewalk Improvement Fund (4901); \$4 for Water Operating Fund (5101) and \$2 for the Sewer Operating Fund (5201). The Village's records have been adjusted accordingly as stated above.
  - 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 Vendor Invoice List 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.

### **Property Taxes and Intergovernmental Receipts (Continued)**

4. We agreed the amounts paid from the Ohio Department of Development to the Village during 2012 to supporting documentation. We found no exceptions.
  - a. We determined whether these receipts were allocated to the proper fund. 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 compared the allocation of income tax receipts for the years ended December 31, 2012 and 2011 to the Village's funds according to the allocation requirements of Ordinance No.04-37. The allocation agreed with the percentages the Ordinance requires.
2. We selected five income tax returns filed during 2012 and five from 2011.
  - a. We compared the payment amount recorded on the tax return to the amount recorded on the applicable batch report. The amounts agreed.
  - b. We compared the batch report total from step a. to the amount recorded as income tax receipts in the Receipt Register Report 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 2012 and five from 2011.
  - a. We compared the refund paid from Payment Register Detail Report to the refund amount requested in the tax return. The amounts agreed.
  - b. Income tax refunds are not marked as being approved by any Village officials. We recommend a Village Official independent from the individual writing the refund check approved each refund to ensure that it is proper.
  - c. We noted the refunds were paid from the Income Tax Fund, as is required.

### **Water Operating, Sewer Operating and Garbage Fund**

1. We haphazardly selected 10 Water Operating, Sewer Operating and Garbage Fund collection cash receipts from the year ended December 31, 2012 and 10 Water Operating, Sewer Operating and Garbage 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 in the utility system Net Cash Receipts: Financial Journal or the Deposit Breakdown Report for the billing period. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the Financial 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.

**Water Operating, Sewer Operating and Garbage Fund (Continued)**

2. We read the Accounts Receivable Control Report.
  - a. We noted this report listed \$26,277 and \$24,767 of accounts receivable as of December 31, 2012 and 2011, respectively.
  - b. This report did not include the breakdown for the amounts that were more than 90 days delinquent.
3. We read the Adjustment Journal.
  - a. We noted this report listed a total of \$52.20 and \$472.39 non-cash receipts adjustments for the years ended December 31, 2012 and 2011, respectively.
  - b. The non-cash receipts adjustments are not approved by the Village Officials unless they are deemed unusual or strange. We recommend a Village Official independent from the utilities department approve each non-cash receipt adjustment to ensure that it is proper.

**Debt**

1. From the prior audit documentation, we noted the following bonds and 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, except as follows.

<u>Issue</u>	<u>Principal outstanding as of December 31, 2010:</u>	<u>Principal outstanding as of January 1, 2011:</u>
1998 General Obligation Bonds (WWTP)	\$390,000	\$390,000
1998 Sewer Bonds (WWTP)	\$880,000	\$868,905
OPWC Sewer Loan (CM25B)	\$ 58,759	\$ 58,759
OPWC Water Loan (CM22E)	\$ 67,500	\$ 55,000
General Obligation Bonds (Water System)	\$405,000	\$435,000
OWDA Water Tower Loan #4461	\$336,448	\$336,448
OPWC Water Tower Planning (CT321)	\$ 28,866	\$ 27,992
OWDA Water Tower Design #5121	\$112,687	\$124,116
OPWC Downtown Streetscape (CM43M)	\$ 29,104	\$ 29,104

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail 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 bonded and loan debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedules to Street Construction, Maintenance, & Repair Fund, Sidewalk Improvement Fund, Water Operating Fund, Sewer Operating Fund, and 1<sup>st</sup> Mortgage 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. The following exception were noted:
  - In 2011, we noted that the Village recorded debt payments in the Payment Register Detail Report for the amount of \$245,931.99 versus \$250,567.71 as stated on the Summary of bonded and loan debt activity for 2011. Also there was interest in the amount of \$7,661 capitalized on the Ohio Water Development Authority (OWDA) #5121 Water Treatment Plant (WTP) Upgrade Design Loan that was not recognized as debt proceeds or capital outlay within the Water Operating Fund. The net effect of this to the Water Operating Fund is zero; therefore, no fund adjustment is necessary.

### Debt (Continued)

- In 2012, we noted there was additional interest in the amount of \$1,550 was capitalized on the OWDA #5121 WTP Upgrade Design Loan that was not recognized as debt proceeds or capital outlay with the Water Operating Fund. Also this Loan was rolled into the OWDA WTP Construction #6170 Loan that was not recognized at debt proceeds and debt principal payment in the amount of \$115,514 to the Enterprise Improvement Fund. The net effect of this to the Enterprise Improvement Fund is zero; therefore, no fund adjustment is necessary.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Water fund or the Enterprise Improvement fund per the Receipt Register Report. The amounts agreed, except as follows.
    - For the OWDA #6148 Water Distribution Study Loan, the Village did not record \$337 in OWDA fees as loan proceeds or capital outlay during 2012 to the Water Operating Fund. The net effect of this to the Water Operating Fund is zero; therefore, no fund adjustment is necessary.
    - For the OWDA #6170 WTP Construction Loan, the Village did not record the loan forgiveness of \$467,382 that should have been booked as intergovernmental revenue and debt principal payment to the Enterprise Improvement Fund. The net effect of this to the Enterprise Improvement Fund is zero; therefore, no fund adjustment is necessary.
    - Also for the OWDA # 6170 WTP Construction Loan, the Village did not record OWDA fees in the amount of \$29,017 as debt proceeds and capital outlay to the Enterprise Improvement Fund. The net effect of this to the Enterprise Improvement Fund is zero; therefore, no fund adjustment is necessary.
  5. For new debt issued during 2012, we inspected the debt legislation, noting the Village must use the proceeds for a Water Distribution Study and for a Water Treatment Plant Upgrade. We scanned the Payment Register Detail Report and noted the Village expended money for professional services and other expenses related to these projects during 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 one instance where an employee was underpaid \$15 for the pay period tested and \$12 overall for the year. We brought this to management's attention. Because we did not test all pay periods, our report provides no assurance whether or not other similar errors occurred.
  - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented per their job title. 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.

**Payroll Cash Disbursements (Continued)**

3. 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	January 31, 2013	December 27, 2012	\$14,132	\$14,132
State income taxes	January 15, 2013	December 27, 2012	\$ 894	\$ 894
Spencerville and New Knoxville School District taxes	January 31, 2013	December 27, 2012	\$ 269	\$ 269
OPERS retirement	January 30, 2013	December 27, 2012	\$ 6,407	\$ 6,407
OP&F retirement	January 31, 2013	January 31, 2013	\$ 2,596	\$ 2,596

**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 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 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.

**Mayors Court Transactions and Cash Balances**

1. We tested the mathematical accuracy of the December 31, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. The Village accounts for the Mayor's Court as part of the general fund. Court fines are the only revenue from the Mayor's Court that is recorded by the Village.
3. We confirmed the December 31, 2012 bank account balances with the Mayor's Court financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.
4. We haphazardly selected five cases from the court cash book and agreed the payee and amount posted to the:
  - a. Receipt or other supporting documentation.
  - b. Docket, including comparing the total fine paid to the judgment issued by the judge (i.e. mayor)
  - c. Case file.



### Mayors Court Transactions and Cash Balances (Continued)

The amounts recorded in the cash book, receipts book or other supporting documentation, docket and case file agreed, except one instance in which a judgment entry was not on file and should have been to verify the proper amount was paid.

There also were three instances in which a judgment was not on file because the individuals posted bond for the traffic case prior to the court date, which is not an exception.

The dockets provided do not list the amount of the payment, however printed receipts or payment histories were available to support the amount that was paid and when.

5. From the cash book, we haphazardly selected one month from the year ended December 31, 2012 and one month from the year ended 2011 and determined whether:
  - a. The monthly sum of fines and costs collected for those months agreed to the amounts reported as remitted to the Village, State or other applicable government in the following month. We found no exceptions.
  - b. The totals remitted for these two months per the canceled checks were not included in the cash book.

### Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resource*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, State Highway and Sewer Operating 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 Sewer Operating Fund for 2012 and the General Fund for 2011. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Sewer Operating Fund of \$501,002 for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$512,550. Also the Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$561,999 for 2011. However, the final *Amended Official Certificate of Estimated Resources* reflected \$562,434. 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, State Highway 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 2012 and 2011 for the following funds: General, State Highway and Sewer Operating funds. 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, State Highway and Sewer Operating 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, State Highway and Sewer Operating funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.

### **Compliance – Budgetary (Continued)**

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. The Village established the Enterprise Improvement fund during 2012 to segregate the Water Treatment Plant Project receipts and disbursements, in compliance with Section 5705.09.
7. We scanned the 2012 and 2011 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$150,000 for 2012 and \$200,000 for 2011 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, 2012 and 2011 for material or labor procurements which exceeded \$25,000 (\$50,000 effective September 29, 2011), and therefore required competitive bidding under Ohio Rev. Code Section 731.14.

We identified two waste water treatment plant projects exceeding \$25,000 (\$50,000 effective September 29, 2011), 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.

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

September 3, 2013



# Dave Yost • Auditor of State

**VILLAGE OF SPENCERVILLE**

**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  
OCTOBER 8, 2013**