



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Wakeman
Huron County
59 Hyde Street, P.O. Box 107
Wakeman, Ohio 44889-0107

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Village of Wakeman, Huron County, Ohio (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, 2011 and 2010, 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, 2011 and December 31, 2010 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2010 beginning fund balances recorded in the Fund Status Report to the December 31, 2009 balances in the prior year Agreed-Upon Procedures working papers. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2011 and 2010 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We observed the 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, 2011 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2011 bank reconciliation:

- a. We traced each debit to the subsequent January and February bank statements. 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 tested investments held at December 31, 2011 and December 31, 2010 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

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2011 and one from 2010:
 - 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 two real estate tax receipts for 2011 and 2010. 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 2011 and five from 2010. We also selected five receipts from the County Auditor's Vendor Expense Report (DTL) from 2011 and five from 2010.
 - 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 fund(s). We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

We obtained the December 31, 2011 and 2010 Total Monthly Distributions reports submitted by the Regional Income Tax Agency (RITA), the agency responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes per year to the Village's Receipt Register Report. The amounts agreed.

Water and Sewer Utility Funds

1. We haphazardly selected 10 Water and Sewer Utility Fund collection cash receipts from the year ended December 31, 2011 and 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2010 recorded in the Receipts This Month reports and determined whether the:
 - a. Receipt amount per the Receipts This Month report agreed to the amount recorded to the deposit tape and payment stub. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Billing Register 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 Past Due List.
 - a. We noted this report listed \$50,924 and \$57,005 of accounts receivable as of December 31, 2011 and 2010, respectively.
 - b. Of the total receivables reported in the preceding step, \$5,067 and \$10,712 were recorded as more than 60 days delinquent.
3. We read the Monthly Adjustment Report.
 - a. We noted this report listed a total of \$534 and (\$2,944) non-cash receipts adjustments for the years ended December 31, 2011 and 2010, respectively.
 - b. We selected five non-cash adjustments from 2011 and five non-cash adjustments from 2010, and noted that the Village Administrator approved each detailed monthly adjustment report.

Debt

1. From the prior agreed-upon procedures documentation, we noted the following debt outstanding as of December 31, 2009. These amounts agreed to the Villages January 1, 2010 balances on the summary we used in step 3.

| Issue | Principal outstanding as of December 31, 2009: |
|------------------------|-------------------------------------------------------|
| OPWC – Culvert Project | \$ 16,826 |
| OWDA # 1956 | 744,257 |
| OWDA # 1957 | 9,956 |
| OWDA # 2978 | 320,263 |
| OWDA # 3773 | 287,665 |
| Police Cruiser Lease | 14,021 |

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2011 or 2010 or debt payment activity during 2011 or 2010. All debt activity noted agreed to the schedule we used in step 3.
3. We obtained a summary of debt activity for 2011 and 2010 and agreed principal and interest payments from the related debt amortization schedules, or invoices from Debtor, to the Police Levy, Permissive Motor Vehicle License Tax, Water Operating, and Sewer Operating 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 no exceptions.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the OPWCIP and OWDA capital project funds Receipt Register Report. The amounts agreed.
5. For new debt issued during 2011 and 2010, we inspected the debt legislation, noting the Village must use the proceeds for the Railroad Street Water Line Replacement Project. We scanned the Payment Register Detail Report and noted proceeds drawn on the loan were disbursed for project costs.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2011 and one payroll check for five employees from 2010 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 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 salary 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 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 and 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, 2011 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 2011. We noted the following:

| Withholding (plus employer share, where applicable) | Date Due | Date Paid | Amount Due | Amount Paid |
|----------------------------------------------------------------|-----------------|------------------|-------------------|--------------------|
| Federal income taxes and Medicare | 01/31/12 | 01/05/12 | \$2,282.57 | \$2,282.57 |
| State income taxes | 01/15/12 | 12/30/11 | 433.95 | 433.95 |
| Village of Wakeman income tax | 01/15/12 | 12/30/11 | 244.66 | 244.66 |
| City of Norwalk income tax | 01/15/12 | 12/30/11 | 15.50 | 15.50 |
| City of Lorain income tax | 01/15/12 | 12/30/11 | 47.45 | 47.45 |
| School district income tax | 01/15/12 | 12/30/11 | 165.13 | 165.13 |
| OPERS retirement | 01/30/12 | 12/30/11 | 3,459.84 | 3,549.84 |
| OP&F retirement | 01/31/12 | 12/30/11 | 918.82 | 918.82 |

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2011 and ten from the year ended December 31, 2010 and determined whether:

- a. The disbursements were for a proper public purpose. We found one exception. Check number 6210 issued May 9, 2011, in the amount of \$191.96 included a payment of \$12.56 associated with sales taxes. The Village is exempt from sales taxes and should file the appropriate notice of exemption with the vendor and limit payments to amounts net sales tax. Because we did not test all disbursements, our report provides no assurance whether or not additional similar errors occurred.
- 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 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 Maintenance, Construction and Repair, and Water Operating funds for the years ended December 31, 2011 and 2010. The amounts agreed.
2. We scanned the appropriation measures adopted for 2011 and 2010 to determine whether, for the General, Street Maintenance, Construction and Repair, and Water 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 2011 and 2010 for the following funds: General, Street Maintenance, Construction and Repair, and Water Operating. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report except for the General Fund. General Fund appropriations for 2010 reported in the Appropriation Status Report were \$501 more than the approved appropriations of \$404,655. The Fiscal Officer indicated this was due to a supplemental appropriation for a different fund having been entered to the General Fund in error. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to appropriated amounts to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and monitoring purposes.
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 Maintenance, Construction and Repair, and Water Operating funds for the years ended December 31, 2011 and 2010. 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, 2011 and 2010 for the General, Street Maintenance, Construction and Repair, and Water Operating 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, 2011 and 2010. We also inquired of management regarding whether the Village received new restricted receipts. The Village established the OPWCIP capital project fund during 2010 to segregate Ohio Public Works Commission receipts and disbursements, in compliance with Section 5705.09.
7. We scanned the 2011 and 2010 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 and Expenditures

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2011 and 2010 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 a traffic light project and a street repaving project exceeding \$25,000, subject to Ohio Rev. Code Section 731.14. For these projects, we noted the Council advertised the projects in a local newspaper, and selected the lowest responsible bidder.

2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2011 and 2010 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.
3. For the traffic light and road maintenance projects described in step 1 above, we read the contract and noted that it required the contractor to pay prevailing wages to their employees as required by Ohio Rev. Code Sections 4115.04 and 4115.05. The contract included the Ohio Department of Commerce's schedule of prevailing rates.

Officials' Response:

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

December 11, 2012

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VILLAGE OF WAKEMAN

HURON 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 20, 2012**