

VILLAGE OF MAGNOLIA

STARK COUNTY, OHIO

AGREED UPON PROCEDURES

For the Years Ended December 31, 2013 and 2012





Dave Yost • Auditor of State

Village Council
Village of Magnolia
328 North Main Street PO Box 297
Magnolia, Ohio 44643

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of the Village of Magnolia, Stark County, prepared by Charles E. Harris & Associates, Inc., for the period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Magnolia is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 1, 2014

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VILLAGE OF MAGNOLIA
STARK COUNTY
Audit Report
For the Years Ended December 31, 2013 and 2012

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village Magnolia
Stark County
328 North Main Street
PO Box 297
Magnolia, Ohio 44643

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Magnolia (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, 2013 and 2012, 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, 2013 and December 31, 2012 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2012 beginning fund balances recorded in the Fund Journal to the December 31, 2011 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2013 beginning fund balances recorded in the Fund Journal to the December 31, 2012 balances in the Fund Journal. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2013 and 2012 fund cash balances reported in the Cash Journal. The amounts agreed.
4. We confirmed the December 31, 2013 bank account balances with the Village's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2013 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 bank reconciliation:
 - a. We traced each debit to the subsequent January 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, 2013 and December 31, 2012 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 2013 and one from 2012:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Journal. 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 Journal to determine whether it included two real estate tax receipts for 2013 and 2012. We noted the Receipt Journal included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2013 and five from 2012. We also selected five receipts from the County Auditor's DTLs from 2013 and five from 2012.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Journal. 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.

Water Fund

1. We haphazardly selected 10 Water Fund collection cash receipts from the year ended December 31, 2013 and 10 Water Fund collection cash receipts from the year ended 2012 recorded in the Water Receipt journal and determined whether the:
 - a. Receipt amount per the Water Receipt Journal agreed to the amount recorded to the credit of the customer's account in the Master Activity Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Master Activity 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 Balances Due Report.
 - a. We noted this report listed \$17,525 and \$15,691 of accounts receivable as of December 31, 2013 and 2012, respectively.
 - b. Of the total receivables reported in the preceding step, \$727 and \$203 were recorded as more than 90 days delinquent.
3. We read the Adjustment Report for Active Customers.
 - a. We noted this report listed a total of (\$86.60) and \$27.31 non-cash receipts adjustments for the years ended December 31, 2013 and 2012, respectively.
 - b. We selected two (all) non-cash adjustments from 2013 and five non-cash adjustments from 2012, and noted that the Fiscal Officer approved each adjustment.

Debt

1. From the prior audit documentation, we noted the following bonds and loans outstanding as of December 31, 2011. These amounts agreed to the Village's January 1, 2012 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2011:
OPWC Loan CT69C	\$15,772
U.S.D.A. Rural Development Revenue Bonds	394,851

2. We inquired of management and scanned the Receipt Journal and Check Register for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of bonded and loan debt activity for 2013 and 2012 and agreed principal and interest payments from the related debt amortization schedules to the general, police equipment, debt service and water fund payments reported in the Appropriation Ledger. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
4. For new debt issued during 2013 and 2012, we inspected the debt legislation, noting the Village must use the proceeds to purchase a police cruiser and a street paving project. We scanned the Check Register and noted the Village purchased a police cruiser in August of 2013 and made payment for the street paving project in September of 2012.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 from the Payroll Listing Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Listing Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - 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 minute records. 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, 2013 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 2013. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2014	December 30, 2013	\$1,952.38	\$1,952.38
State income taxes	January 15, 2014	December 27, 2013	\$309.36	\$309.36
OPERS retirement	January 30, 2014	December 31, 2013	\$3,791.01	\$3,791.01
OP&F retirement	January 31, 2014	December 30, 2013	\$1,607.18	\$1,607.18

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Check Register for the year ended December 31, 2013 and ten from the year ended 2012 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 Check Register 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 Receipt Account Status Report for the General, Street Construction and Repair and Police Levy funds for the years ended December 31, 2013 and 2012. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General and Street Construction and Repair Fund in 2013. In 2012 none of the amounts agreed. The Receipt Account Status Report recorded budgeted (i.e. certified) resources for the General fund of \$349,971 and for the Street Construction and Repair fund of \$30,362 for 2013. However, the final *Amended Official Certificate of Estimated Resources* reflected \$319,307 and \$30,000, respectively. The Receipt Account Status Report recorded budgeted (i.e. certified) resources for the General fund of \$315,155, the Street Construction and Repair fund of \$30,006, and the Police Levy fund of \$23,948 for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$328,577, \$29,000, and \$24,461, respectively. 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 2013 and 2012 to determine whether, for the General, Street Construction and Repair, and Police Levy 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 2013 and 2012 for the following funds: General, Street Construction and Repair, and Police Levy funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report except for the General fund. The Appropriation Status Report recorded an appropriated amount of \$428,179 for 2012 and \$365,390 for 2013. However the Permanent Appropriations reflected \$381,179 for 2012 and \$329,992 for 2013. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the Permanent Appropriations 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 and Repair, and Police Levy funds for the years ended December 31, 2013 and 2012. 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, 2013 and 2012 for the General, Street Construction and Repair and Police Levy funds, as listed in the Permanent Appropriations. 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 Journal for evidence of new restricted receipts requiring a new fund during December 31, 2013 and 2012. 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 2013 and 2012 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.
9. We scanned the Fund Journal for the years ended December 31, 2013 and 2012 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 Check Register for the years ended December 31, 2013 and 2012 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, the Auditor of State, and others within the Village and is not intended to be, and should not be used by anyone other than these specified parties.



CHARLES E. HARRIS & ASSOCIATES, INC.

February 24, 2014



Dave Yost • Auditor of State

VILLAGE OF MAGNOLIA

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
APRIL 15, 2014**