



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Spencerville
Allen County
116 S. Broadway St.
Spencerville, OH 45887

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Village of Spencerville (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, 2014 and 2013, 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.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Fund Status Report to the December 31, 2012 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2014 beginning fund balances recorded in the Fund Status Report to the December 31, 2013 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, 2014 and 2013 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2014 bank account balances with the Village's financial institutions. We found no exceptions. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2014 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2014 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 inspected the Fund Status Report to determine whether the Finding For Adjustment identified in the prior agreed-upon procedures report, due from the Capital Projects fund, Water Operating fund, and Sewer Operating Fund, payable to the General fund, was properly posted to the report. We found no exceptions.
7. We tested interbank account transfers occurring in December of 2014 and 2013 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
8. We tested investments held at December 31, 2014 and December 31, 2013 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 Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2014 and one from 2013:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Detail 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 Revenue Receipt Register to determine whether it included two real estate tax receipts for 2014 and 2013. We noted the Revenue Receipt Register included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2014 and five from 2013. We also selected five receipts from the County Auditor's Vendor Invoice List from 2014 and five from 2013.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Receipt Register. 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.

Income Tax Receipts

1. We compared the allocation of income tax receipts for the years ended December 31, 2014 and 2013 to the Village's funds according to the allocation requirements of Ordinance No. 04-37 and Ordinance No. 13-25. The allocation agreed with the percentages the Ordinances require.
2. We selected five income tax returns filed during 2014 and five from 2013.
 - a. We compared the payment amount recorded on the tax return to the amount recorded on the batch report detail. The amounts agreed.
 - b. We compared the batch report detail total from step a. to the amount recorded as income tax receipts in the Revenue Receipt Register 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 2014 and five from 2013.
 - a. We compared the refund paid from Payment Register Detail Report to the refund amount requested in the tax return. The amounts agreed.
 - b. We noted each of the refunds were approved by Income Tax Clerk.
 - 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, 2014 and 10 Water Operating, Sewer Operating and Garbage Fund collection cash receipts from the year ended 2013 recorded in the Revenue Receipt Register and determined whether the:
 - a. Receipt amount per the Revenue Receipt Register agreed to the amount recorded to the credit of the customer's account in the Detail of Charges Paid. 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. 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 Accounts Receivable Control Report.
 - a. We noted this report listed \$10,337 and \$7,964 of accounts receivable as of December 31, 2014 and 2013, respectively.
 - b. This report did not include the breakdown for the amounts that were more than 90 days delinquent.
3. We read the Account Receivable Control Report.
 - a. We noted this report listed a total of (\$19,985) and (\$20,350) non-cash receipts adjustments for the years ended December 31, 2014 and 2013, respectively.
 - b. We selected five non-cash adjustments from 2014 and five non-cash adjustments from 2013, and noted that the adjustments are not approved by a Village Official 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 agreed-upon procedures documentation, we noted the following bonds and loans outstanding as of December 31, 2012. These amounts agreed to the Villages January 1, 2013 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2012:
General Obligation Bonds WWTP	275,000
1 st Mortgage Sewer Revenue Bonds	597,333
OPWC CM25B – Sanitary Sewer Rehab	46,388

OWDA Loan #3361 Water Dist. Improvements	300,012
General Obligation Bonds – Water Dist. Imp.	345,000
OPWC CT32I – Water Tower	25,368
OPWC CM11E Water Dist. Imp.	57,500
OPWC CM43M Streetscape	26,119
OWDA Loan #6148 Water Dist. Study	22,087
OWDA Loan #6170 WTP Construction	169,413

2. We inquired of management, and scanned the Revenue Receipt Register and Payment Register Detail Report for evidence of debt issued during 2014 or 2013 or debt payment activity during 2014 or 2013. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of bonded and loan debt activity for 2014 and 2013 and agreed principal and interest payments from the related debt amortization schedules to street construction maintenance and repair, capital projects, water operating, sewer operating, enterprise improvement, and 1st 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. We found the following exceptions:

OWDA Loan #5121 was listed as having a balance of \$117,731 but that loan was actually paid off in full in May of 2012. OWDA Loan #6170 only showed \$516,395 as being issued during the audit period and \$30,983 as being retired. The amount actually issued was \$1,260,017 and the amount actually retired was \$774,604. The Village did record the amounts in their books; however, they were not reflected on the Schedule of Outstanding Debt for 2013.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Water Operating and Enterprise Improvement fund per the Revenue Receipt Register. The amounts agreed except OWDA loan #6170 proceeds of \$25,092 was properly recorded as loan proceed on the Schedule of Outstanding Debt for 2014; however, the receipt wasn't recorded on the Village's books until 2015.
5. For new debt issued during 2014 and 2013, we inspected the debt legislation, noting the Village must use the proceeds to conduct a water distribution study and construction of a water treatment plant. We scanned the Payment Register Detail Report and noted the Village paid for professional services and fees for conducting a water distribution study and constructing a water treatment plant.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2014 and one payroll check for five employees from 2013 from the Wage Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Wage Detail 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 employees' personnel files. 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, 2014 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 2014. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2015	December 24,2014	1,836	1,836
State income taxes	January 15, 2015	December 24,2014	683	683
Village of Spencerville income taxes	January 31, 2015	December 24,2014	507	507
School District Income Tax	January 15, 2015	December 24,2014	254	254
OPERS retirement	January 30, 2015	December 24,2014	6,260	6,260
OP&F retirement	January 31, 2015	December 24,2014	2,127	2,127

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2014 and ten from the year ended 2013 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.

Mayors Court Transactions and Cash Balances

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. We determined that the Mayor Court does not prepare monthly bank reconciliation.
2. We compared the reconciled cash totals as of December 31, 2014 and December 31, 2013 to the Mayor's Court Agency Fund balance reported in the Fund Status Reports. 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 agreed the totals per the bank statements to the total of December 31, 2014 and 2013 listing of unpaid distributions as of each December 31. The amounts agreed.
4. We confirmed the December 31, 2014 bank account balance with the Mayor's Court financial institution. We found no exceptions.
5. We haphazardly selected five cases from the court cash book and agreed the payee and amount posted to the:
 - a. Computer generated receipt.
 - b. Docket, including comparing the total fine paid to the judgment issued by the judge (i.e. mayor)
 - c. Case file.

The amounts recorded in the cash book, receipts book, docket and case file agreed.

6. From the cash book, we haphazardly selected one month from the year ended December 31, 2014 and one month from the year ended 2013 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 cash book agreed to the returned canceled checks or bank electronic fund transfer. 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 cash book.

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, Water Operating and Sewer Operating funds for the years ended December 31, 2014 and 2013. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the Water Operating Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Water Operating fund of \$455,084 for 2013. However, the final *Amended Official Certificate of Estimated Resources* reflected \$488,684. 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 2014 and 2013 to determine whether, for the General, Water Operating 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 2014 and 2013 for the following funds: General, Water Operating and Sewer Operating Fund. 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, Water Operating and Sewer Operating funds for the years ended December 31, 2014 and 2013. 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, 2014 and 2013 for the General, Water Operating and Sewer 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 Revenue Receipt Register for evidence of new restricted receipts requiring a new fund during December 31, 2014 and 2013. We also inquired of management regarding whether the Village received new restricted receipts. The Village established the FEMA fund during 2013 to segregate Federal Emergency Management Agency receipts and disbursements, in compliance with Section 5705.09. We also noted that the Council established the Police Enforcement fund during 2014 to segregate additional income tax pass by a new levy to be used for the police department in compliance with Section 5705.09.

7. We scanned the 2014 and 2013 Interfund Transfer Listing 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 Cash Summary by Fund Report for the years ended December 31, 2014 and 2013 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 Payment Register Detail Report for the years ended December 31, 2014 and 2013 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 30, 2015

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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
JULY 14, 2015