



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

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

Village of Gratiot  
Licking County  
P.O. Box 379  
Gratiot, Ohio 43740

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Village of Gratiot, Licking 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, 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.

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 Manual Fund Ledger 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 Manual Fund Ledgers. The amounts agreed.
4. We confirmed the December 31, 2010 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, 2010 bank reconciliation without exception.
5. We selected the only reconciling debit (such as an outstanding check) from the December 31, 2010 bank reconciliation:
  - a. We traced the check to the debit appearing in the subsequent January bank statement. We found no exception.
  - b. We traced the amount and date written to the check register, to determine the check was dated prior to December 31. We noted no exception.

### **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 Manual Cash Journal. The receipts were posted at net amounts, rather than at gross. We recommend the Clerk-Treasurer ensure all property tax receipts are posted at gross amounts. However, because we did not test all property tax receipts, our report provides no assurance regarding whether or not similar errors occurred.
  - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We determined whether the receipts were recorded in the proper year. The receipts were recorded in the proper year.
2. We scanned the Manual Cash Journal 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 receipts

After confirming with the County Auditor that there three personal property tax payment in 2010 and 2009, we noted the Receipts Ledger included the proper number of tax settlement receipts for each year. We noted the Manual Cash Journal 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.
  - a. We compared the amount from the DTL to the amount recorded in the Manual Cash 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.

### **Debt**

1. The prior audit report disclosed no debt outstanding as of December 31, 2008.
2. We inquired of management, and scanned the Manual Cash Journal for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. We noted no new debt issuances, nor any debt payment activity during 2010 or 2009.

### **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 Manual Cash Journal and determined whether the following information in the minute record 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 and State tax withholding authorization and withholding.

**Payroll Cash Disbursements (Continued)**

We found no exceptions related to steps a. – e. above, except as follows:

The Village did not withhold State income tax due to the small amount of salaries paid to its employees. Ohio Rev. Code 5747.06(A) states that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax. The employer shall deduct and withhold the tax on the date that the employer pays the compensation to the benefit of, the employee. We recommend the Clerk-Treasurer withhold and remit all state income tax, regardless of the amount of the employees' or officials' salary.

The Village did not withhold Ohio Public Employees Retirement due to the small amount of salaries paid to its employees. We also noted that rather than withholding monies for OPERS for retirement, the Village withheld and paid into Social Security for its employees. Ohio Rev. Code 145.03(A) states that a public employees retirement system is hereby created for the public employees of the state and of the several local authorities mentioned in section 145.01 of the Revised Code. Except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues. We recommend the Clerk-Treasurer ensure the Village employees participate in the OPERS retirement system.

2. We tested the checks we selected in step 1, as follows:
  - a. We compared the hours and pay rate, or salary amount used in computing gross pay to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
  - c. We determined whether the fund and account code(s) to which the check was posted was reasonable based on the employees' duties as documented in the minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.
  
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 that the amounts paid agreed to the amounts withheld during the final withholding period during 2010. We noted the following:

<b>Withholding</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Withheld</b>	<b>Amount Paid</b>
Federal income taxes	January 31, 2011	January 15, 2011	\$421	\$421

**Non-Payroll Cash Disbursements**

1. For the Manual Cash Journal, we refooted checks recorded as General Fund disbursements for street lights and checks recorded as street patch in the Street Fund for 2010. We found no exceptions.
  
2. We agreed total disbursements (non-payroll and payroll from the Manual Fund Ledger and Manual Payroll Report for the years ended December 31, 2010 and 2009 to the total disbursements recorded in the check register. We found no exceptions.

### Non-Payroll Cash Disbursements (Continued)

3. We haphazardly selected ten disbursements from the Manual Cash Journal 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 Manual Cash Journal 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 in all 20 instances where disbursements requiring certification were not certified and there was also no evidence that a *Then and Now Certificate* was used. We recommend the Clerk-Treasurer certify all disbursements prior to incurring the obligation. Because we did not test all disbursements, our report provides no assurance regarding whether or not similar errors occurred.

### Compliance – Budgetary

1. We attempted to compare the total from the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Manual Budgetary Receipts Ledger for the General and Street funds for the years ended December 31, 2010 and 2009. We found the Village did not maintain a budgetary receipts ledger to track budgeted to actual receipts, therefore we were unable to perform this step.
2. We scanned the appropriation measures adopted for 2010 and 2009 to determine whether, for the General and Street 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 attempted to compare the total appropriations required by Ohio Rev. Code Section 5705.38 and 5705.40, to the amounts recorded in a Manual Appropriation Ledger for 2010 and 2009 for the following funds: General and Street. We found the Village did not maintain an appropriation ledger to track budgeted to actual disbursements, therefore we were unable to perform this step.
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 and Street 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 and Street fund, as recorded in the Manual Annual Appropriation Ordinance. 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 Manual Cash Journal 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 Manual Cash Journal 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 Manual Annual Appropriation Ordinance 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 Manual Cash Journal 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 no purchases subject to the aforementioned bidding requirements.

2. We inquired of management and scanned the Manual Cash Journal for the years ended December 31, 2010 and 2009 to determine if the Village had road construction projects exceeding \$30,000 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

June 7, 2011

**This Page is Intentionally Left Blank.**





# Dave Yost • Auditor of State

VILLAGE OF GRATIOT

LICKING 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 26, 2011