

**Village of Scio
Harrison County**

Agreed Upon Procedures

January 1, 2009 to December 31, 2010



Dave Yost • Auditor of State

Village Council
Village of Scio
306 East Main Street
Scio, Ohio 43988

We have reviewed the *Independent Accountant's Report on Applying Agreed-Upon Procedures* of the Village of Scio, Harrison County, prepared by Rea & Associates, Inc., for the period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports 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 Scio is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 4, 2011

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

March 30, 2011

Village of Scio
Harrison County
P.O. Box 307
Scio, Ohio 43988

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Scio (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, 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 and Investments

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 Fund Cash Balance Statement 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 Fund Cash Balance Statements. The amounts agreed.
4. We observed the December 31, 2010 bank balance on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2010 bank reconciliation without exception.
5. We selected all (two) outstanding checks from the December 31, 2010 bank reconciliation:
 - a. We traced each check to the debit appearing in the subsequent January or February bank statements. We found no exceptions.
 - b. We traced the amounts and date written to the check register, to determine the checks were dated prior to December 31. We noted no exceptions.

Cash and Investments (continued)

6. We tested investments held at December 31, 2010 and December 31, 2009 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 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 Revenue Statement. 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 Statement Report 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 receiptsWe noted the Revenue Statement Report 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 Revenue Statement 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.

Income Tax Receipts

1. We haphazardly selected five income tax returns filed during 2010 and five from 2009.
 - a. We compared the payment recorded on the tax return to the amount recorded in the Daily Cash Receipts Control Journal. The amounts agreed.
 - b. We compared the Daily Cash Receipts Control Journal total from step a. to the amount recorded as income tax receipts in the Daily Pay-In Summary Journal Report for that date. The amounts agreed.
 - c. We determined whether these receipts were allocated to the proper funds as required by Ordinance 90-785. We found no exceptions.
 - d. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts (continued)

2. We selected all (one) income tax refunds from 2010 and noted there were no income tax refunds from 2009.
 - a. We compared the refund paid from Check Register Report to the refund amount requested in the tax return. The amounts agreed.
 - b. We noted the refund was approved by the Village Clerk and the Income Tax Administrator.
 - c. We noted the refund was paid from 75% from the General Fund and 25% from the Income Tax Fund, as is required.

Water and Sewer Fund

1. We haphazardly selected 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2010 and 10 collection cash receipts from the year ended December 31, 2009 from the payment stubs and determined whether the:
 - a. Receipt amount per the payment stub agreed to the amount recorded to the credit of the customer's account on the Daily Cash Receipts Journal. The amounts agreed.
 - b. Amount charged for the related billing period complied with rates in force during the audit period for customers without meters. For metered customers, amount charged for the related billing period complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period. We found no exceptions.
 - c. Amount charged was posted as a receivable in the customer's Account History Report for the billing period.
 - d. Receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.
2. We read the Customer Balance Report.
 - a. We noted this report listed \$11,720 and \$10,383 of accounts receivable as of December 31, 2010 and 2009, respectively.
 - b. Of the total receivables reported in the preceding step, \$653 was recorded as more than 90 days delinquent as of February 15, 2011. We noted the utility system is unable to print an aged delinquent listing from the past, therefore, we obtained the listing as of February 15, 2011. We recommend that the Clerk print and review this report regularly and at year end.
3. We inquired of the Utility Clerk to determine if a non-cash adjustments report is available for December 31, 2010 and 2009. The Utility Clerk stated that no such report exists; adjustments are printed out on the Daily Cash Receipts Reports but are not approved by anyone. We recommend a list detailing non-cash adjustments be presented to the President of Council. He should sign and date and these lists should be maintained by the Utility Clerk.

Debt

1. We inquired of management, and scanned the Revenue Statement Report and Check Register Report for evidence of bonded or note debt issued during 2010 or 2009 or outstanding as of December 31, 2010 or 2009. All debt noted agreed to the summary we used in step 2.
2. We obtained a summary of loan debt activity for 2010 and 2009 and agreed principal and interest payments from the related debt amortization schedules to debt service, water and sewer fund payments reported in the Check Register Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.

Debt (continued)

3. We agreed the amount of the Ohio Water Development Authority (OWDA) debt proceeds from the debt documents to amounts recorded in the Water Fund per the Revenue Statement Report. The amounts agreed.
4. For new debt issued during 2009, we inspected the debt legislation, noting the Village must use the proceeds for the filter system at the Water Treatment Plant. We scanned the Expense Statement noting the Village recorded the direct payments from OWDA to the contractor for the Water Treatment Plant.

Payroll Cash Disbursements

1. We randomly selected one payroll check for five employees from 2010 and one payroll check for five employees from 2009 from the Payroll Report and determined whether the following information in the payroll files and Council minutes 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. above.

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:

Withholding	Date Due	Date Paid	Amount Withheld	Amount Paid
Federal income taxes	January 31, 2011	1/25/2011	\$564.98	\$994.04
State income taxes	January 31, 2011	1/25/2011	465.58	465.58
Village of Scio income taxes	January 30, 2011	1/25/2011	314.37	314.37
OPERS retirement (withholding plus employee share)	January 30, 2011	1/25/2011	3,721.21	3,721.21

Payroll Cash Disbursements (continued)

As noted above, the Village erroneously paid the incorrect amount for federal income taxes. The Clerk subsequently detected this error and requested a refund for the difference.

Non-Payroll Cash Disbursements

1. We randomly selected ten disbursements from the Check Register 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 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 clerk 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 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 Statement Report for the General, Sewer and Income Tax funds for the years ended December 31, 2010 and 2009, noting the following variances:

Fund	2009 - Estimated Receipts		
	Amount per Certificate	Amount per System	Variance
General	\$ 88,750	\$ 81,616	\$ 7,134
Sewer	97,525	100,001	(2,476)
Income Tax	43,530	43,163	367

Fund	2010 - Estimated Receipts		
	Amount per Certificate	Amount per System	Variance
General	\$ 89,412	\$ 83,794	\$ 5,618
Sewer	100,001	123,067	(23,066)
Income Tax	43,163	44,741	(1,578)

The clerk should periodically compare amounts recorded in the Revenue Statement 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 2010 and 2009 to determine whether, for the General, Sewer and Income Tax 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 Section 5705.38 and 5705.40, to the amounts recorded in the Expense Statement Report for 2010 and 2009 for the General, Sewer and Income Tax funds for the years ended December 31, 2010 and 2009, noting the following variances:

Fund	2009 - Appropriations		
	Amount per Appropriation Measure	Amount per System	Variance
Income Tax	\$ 160,352	\$ 169,907	\$ (9,555)

Fund	2010 - Appropriations		
	Amount per Appropriation Measure	Amount per System	Variance
General	\$ 184,670	\$ 179,435	\$ 5,235
Income Tax	187,463	161,945	25,518

The clerk should periodically compare amounts recorded in the Expense Statement Report to amounts recorded on the appropriation measures 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 Section 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Sewer and Income Tax 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, Sewer and Income Tax funds, as recorded in the Expense Statement 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 Detailed Receipt Ledger 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.

Compliance – Budgetary (continued)

7. We scanned the 2010 and 2009 Revenue Statement Reports and Expense Statement Reports for evidence of interfund transfers 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 Expense Statement Report 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 Check Register 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 Check Register Report 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.

Officials' Response

1. The Utility Clerk will print and review the delinquent report monthly and will keep this report with her monthly files.
2. Any adjustments made for the utility department will be presented to the Council President, in report form, which he will review and initial.
3. The Village Clerk will periodically compare the amount on the Revenue Statement Reports to the County Auditor's Amended Certificate to assure they agree.
4. The Village Clerk will periodically compare the amount on the Expense Statement Reports to the current Appropriation measures to assure they agree.

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 and those charged with governance and the Auditor of State and is not intended to be, and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

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VILLAGE OF SCIO

HARRISON 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
MAY 17, 2011