



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of North Fairfield
Huron County
3 East Main Street
North Fairfield, Ohio 44855-9522

We have performed the procedures enumerated below, with which the Village Council, Mayor, and the management of the Village of North Fairfield, 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 Cash Summary by Fund Report to the December 31, 2009 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, 2011 and 2010 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2011 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, 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 bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the Payment Register Report, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We tested interbank account transfers occurring in December of 2011 and 2010 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
7. 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 and Intergovernmental Cash Receipts

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 Revenue Ledger Report. The amounts agreed.
 - 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 receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue Ledger Report to determine whether it included two real estate tax receipts for 2011 and 2010. We noted the Revenue Ledger 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 Huron County Auditor Confirmation (County Confirmation) from 2011 and five from 2010.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Ledger 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.

Water and Refuse Charges for Service

1. We haphazardly selected 10 Water and Refuse cash receipts from the year ended December 31, 2011 and 10 Water and Refuse cash receipts from the year ended December 31, 2010 recorded in the Receipt Register Report and determined whether the:
 - a. Receipt amount per the Receipt Register Report agreed to the amount recorded to the credit of the customer's account in the Rate Code Summary Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Rate Code Summary 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. 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 Rate Code Summary Report.
 - a. We noted this report listed \$15,471 and \$14,831 of accounts receivable as of December 31, 2011 and December 31, 2010, respectively.
 - b. Of the total receivables reported in the preceding step, \$0 was recorded as more than 90 days delinquent.
3. We read the Cash Receipts / Write Off Journal.
 - a. We noted this report listed a total of \$41 and \$3 non-cash receipts adjustments for the years ended December 31, 2011 and 2010, respectively.
 - b. We selected all non-cash adjustments from 2011 and all non-cash adjustments from 2010, and noted the Utilities Clerk approved each adjustment.

Debt

1. From the prior audit documentation, we noted the following loan outstanding as of December 31, 2009. This amount agreed to the Village's January 1, 2010 balance on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2009:
OWDA Sewer Feasibility Study Loan	\$300

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 noted agreed to the summary we used in step 3.

3. We obtained a summary of OWDA loan debt activity for 2010 and agreed principal payment from the related debt amortization schedule to the Water Operating Fund payment reported in the Payment Register Report. We also compared the date the debt service payment was due to the date the Village made the payment. We found no exceptions.

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 Payroll Register – Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Register – Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the funds and account codes to which the check was posted were reasonable based on the employees' duties as documented in the General Information Report, minute record, or as required by statute. 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 General Information Report, minute record, or 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. Departments and funds 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	January 31, 2012	December 31, 2011	\$349	\$349
State income taxes	January 15, 2012	December 31, 2011	158	158
City of Norwalk income tax	January 31, 2012	December 31, 2011	76	76
OPERS retirement	January 30, 2012	December 31, 2011	1,330	1,330
School District income tax	January 17, 2012	December 31, 2011	180	180

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register 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 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 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 Construction, Maintenance, and Repair, and Water Operating funds for the years ended December 31, 2011 and 2010. The amounts on the *Amended Certificate of Estimated Resources* agreed to the amount recorded in the accounting system, except for the General, Street Construction, Maintenance, and Repair, and Water Operating funds for the year ended December 31, 2010. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$100,824, for the Street Construction, Maintenance, and Repair Fund of \$26,900, and for the Water Operating Fund of \$52,203 for 2010. However, the final *Amended Official Certificate of Estimated Resources* reflected \$90,882, \$19,000, and \$28,000, 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 2011 and 2010 to determine whether, for the General, Street Construction, Maintenance, 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 Construction, Maintenance, and Repair, and Water Operating. The amounts on the appropriation measures agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibit appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street Construction, Maintenance, and Repair, and Water Operating funds for the years ended December 31, 2011 and 2010. We noted that General Fund and Water Operating Fund appropriations for 2010 exceeded certified resources by \$321 and \$13,203, respectively, contrary to Ohio Rev. Code Section 5705.39. The Council should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Village to incur fund balance deficits.
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 Construction, Maintenance, and Repair, and Water Operating funds, 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 the years ended December 31, 2011 and 2010. We also inquired of management regarding whether the Village received new restricted receipts. The Village established the OPWC Water Tower Capital Improvement Project Fund during 2010 to account for Ohio Public Works Commission Issue II 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 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 Report for the years ended December 31, 2011 and 2010 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 Payment Register 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.

Officials' Response:

The Fiscal Officer will ensure amendments to the Official Certificate of Estimated Resources are submitted to the Huron County Auditor in a timely fashion.

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

November 20, 2012

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VILLAGE OF NORTH FAIRFIELD

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 11, 2012