



Dave Yost • Auditor of State





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

North Hills Water District  
Summit County  
253 West Aurora Road  
Northfield, Ohio 44067

We have performed the procedures enumerated below, with which the Board of Trustees and the management of North Hills Water District (the District) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 and 2011, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board 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, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning balance recorded in the Balance Sheet Detail Report to the December 31, 2010 register balances in the December 2010 Reconciliation Summary documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the Balance Sheet Detail Report to the December 31, 2011 balances in the December 2011 Reconciliation Summary. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 cash balances reported in the Balance Sheet Detail Report. The amounts agreed.
4. We confirmed the December 31, 2012 bank account balance with the District's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 bank reconciliation:

- a. We traced one debit to the subsequent January 2013 bank statement and one to the March 2013 bank statement. One check was still outstanding as of July 31, 2013. Therefore, these three checks represent valid adjustments on the reconciliation. We noted exceptions with the other two debits. One check for \$50 cleared in April 2012 and was improperly included on the reconciliation. Another check for \$673 represented a voided check that was re-issued. The voided check should have been an adjustment to the current year accounting system and been removed from the bank reconciliation as a reconciling item. In addition, the check that cleared in April 2012 should not have been included on the reconciliation as of December 31, 2012.
  - 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 selected all reconciling credits (such as deposits in transit) haphazardly from the December 31, 2012 bank reconciliation:
- a. We noted only two such credits. However, these were not actual deposits in transit or other such credits, but were adjustments from prior year audits of \$2,744.56 and \$258.33 from 2008 and 2009, respectively. Therefore, adjustments should have been made in the current year to adjust the system balance and removed as reconciling items from the reconciliations.
  - b. We agreed the credit amounts to the Balance Sheet Detail Report. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation. We noted there were only two such reconciling credits. As these were prior year adjustments, they did not appear on the Balance Sheet Detail Report. These adjustments should have been made to the system in the current year to adjust the system balance and removed as reconciling items from reconciliations.

#### **Property Taxes and Other Confirmable Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2012 and one from 2011:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Profit and Loss Detail Report. We noted for both years the District recorded distributions in the net, instead of gross amounts, and although the differences are insignificant, the gross amounts should be recorded.
  - 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 Profit and Loss Detail Report to determine whether it included two real estate tax receipts for 2012 and 2011. We noted the Profit and Loss Detail Report included the proper number of tax receipts for each year.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2012 and from 2011.

- a. We compared the amount from the above reports to the amount recorded in the Profit and Loss Detail Report. The amounts agreed.
- b. We determined whether these receipts were allocated to the proper fund. We found no exceptions.
- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

#### **Debt**

1. From the prior agreed-upon procedures documentation, we noted the following loan outstanding as of December 31, 2010. These amounts agreed to the District's January 1, 2011 balances on the summary we used in step 3.

<b>Issue</b>	<b>Principal outstanding as of December 31, 2010:</b>
OPWC Loan #CH10H - Water Main Replacement Project	\$326,071

2. We inquired of management, and scanned the Profit & Loss Detail Report and Check Register Report for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedule to debt service payments reported in the Profit and Loss Detail Report. We also compared the date the debt service payments were due to the date the District made the payments. We found no exceptions.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded per the Profit and Loss Detail Report. The amounts agreed.

#### **Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the District's pay stubs and:
  - a. We compared the hours and pay rate, or salary amount recorded on the employee's check stub to supporting documentation (timecard, or legislatively approved rate or salary). We found no exceptions.
  - b. We determined whether the account code 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.
2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 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 of 2012. We noted the following:

<b>Withholding plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2013	12/19/12	\$1,930.96	\$1,930.96
State income taxes	January 15, 2013	12/19/12	\$220.44	\$220.44
OPERS retirement	January 30, 2013	12/19/12	\$925.19	\$925.19

### Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Check Register for the year ended December 31, 2012 and ten from the year ended 2011 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. We found eight instances where disbursements requiring certification had certifications that were not dated and one instance where the certification did not include a dollar amount. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

### Compliance – Budgetary

1. We compared the total estimated receipts 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 Profit and Loss Budget vs. Actual Report for the years ended December 31, 2012 and 2011. The amounts did not agree. The Profit and Loss Budget vs. Actual Report recorded budgeted (i.e. certified) resources of \$311,600 for 2012. However, the Certificate of the Total Amount From all Sources Available for Expenditures reflected \$199,416 for 2012. The Profit and Loss Budget vs. Actual Report recorded budgeted (i.e. certified) resources of \$811,600 for 2011. However, the Certificate of the Total Amount From all Sources Available for Expenditures reflected \$219,296 for 2011. This could result in the Trustees using inaccurate information for budgeting and monitoring purposes.
2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether the Trustees 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 Profit and Loss Budget vs. Actual Report for 2012 and 2011. The amounts on the appropriation resolution did not agree to the amounts recorded in the Profit and Loss Budget vs. Actual Report. The Profit and Loss Budget vs. Actual Report recorded total

appropriations of \$313,400 for 2012 and \$802,500 for 2011. However, the final appropriations approved by the Trustees were \$311,600 in 2012 and \$811,600 for 2011.

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 years ended December 31, 2012 and 2011. We noted that appropriations for 2012 exceeded certified resources by \$112,184 and appropriations for 2011 exceed certified resources by \$592,304, contrary to Ohio Rev. Code Section 5705.39. The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the District 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, 2012 and 2011. Expenditures did not exceed appropriations.
6. We inquired of management and scanned the Profit and Loss Budget vs. Actual Report to determine whether the District elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the District had not established any reserve accounts.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the District'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 District, 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

August 28, 2013

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# Dave Yost • Auditor of State

**NORTH HILLS WATER DISTRICT**

**SUMMIT 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  
SEPTEMBER 10, 2013**