



**PENFIELD TOWNSHIP
LORAIN COUNTY**

AGREED-UPON PROCEDURES REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008



Mary Taylor, CPA
Auditor of State

PENFIELD TOWNSHIP
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report on Applying Agreed Upon Procedures	1

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Penfield Township
Lorain County
42760 Peck-Wadsworth Road
Wellington, Ohio 44090

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Penfield Township (the Township) 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, 2009 and 2008, 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 and Investments

1. We tested the mathematical accuracy of the December 31, 2009 and December 31, 2008 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2008 beginning fund type balances recorded in the Fund Status Report to the December 31, 2007 balances in the prior year audited statements. We noted the following exception:

	General Fund	Special Revenue Fund Type
December 31, 2007 balances in the prior year audited statements:	\$307,820	\$45,332
January 1, 2008 balances in the Fund Status Report:	\$310,877	\$42,642
Difference:	\$3,057	(\$2,690)

Variations noted above are due to the following:

- a. There was a prior audit adjustment of \$2,837 due from the General Fund to Special Revenue funds that was never reflected in the accounting system by the Township. We recommend the Township return the monies to the correct funds as presented in prior audit adjustments. Failure to pay these monies into the proper fund could allow for the expenditure of monies for unallowed purpose.
- b. The Township had outstanding checks at December 31, 2007 in the amounts of \$220 and \$147 in the General Fund and Special Revenue funds that were voided subsequent to year-end, resulting in a fund balance increase in the respective funds in 2008. No adjustments need to be made for this variance.

3. We agreed the totals per the bank reconciliations to the December 31, 2009 and 2008 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2009 bank account balances with the Township's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2009 bank reconciliation. The confirmed amount was \$53 higher than the amount on the December 31, 2009 bank reconciliation due to interest earned at STAR Ohio but not yet recorded in the accounting system.
5. We selected five outstanding checks haphazardly from the December 31, 2009 bank reconciliation:
 - a. We traced each check to the debit appearing in the subsequent January bank statement. 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.
6. We tested investments held at December 31, 2009 and December 31, 2008 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 2009 and one from 2008:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether the receipt was properly allocated to the General 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 Receipt Register Report to determine whether it included the proper number of tax receipts for 2009 and 2008:
 - a. Two personal property tax receipts in 2008 and one for the full year in 2009.
 - b. Two real estate tax receipts in 2009 and 2008.

We noted the Receipts Register Report included the proper number of tax settlement receipts for each year. In addition to the personal property and real estate taxes that were properly posted, we noted the Township improperly included the following receipts as property tax revenue that should have been intergovernmental revenue:

- (i) August and October personal property state reimbursements, totaling \$2,936; and excess public utilities, totaling \$446, in 2009.
- (ii) May, August and October personal property state reimbursements, totaling \$2,347; gasoline taxes, totaling \$4,829; and exempt personal property, totaling \$73, in 2008.

The Township should record these amounts as intergovernmental receipts instead of as taxes.

3. We selected the only two receipts from the State Distribution Transaction Lists (DTL) from both 2009 and 2008.
 - a. We compared the amount from the DTL to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated properly to the General Fund. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Lorain County Auditor's Office for Local Government Distributions and Gasoline Taxes to the Township during 2009 and 2008. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.
5. We confirmed the amounts paid from the Ohio Public Works Commission (OPWC) for distributions made on the Township's behalf during 2009 and 2008. The Township was the beneficiary of \$57,912 and \$19,832 of OPWC money in 2009 and 2008, respectively, sent directly to the vendor by OPWC. The Township failed to record these monies as a receipt and expenditure in the Uniform Accounting Network. When the Township receives notice that it has been approved for funding by a State or Federal agency and notified that funds have been expended on its behalf, the Fiscal Officer should make memo entries to post the revenues and expenditures to the Township's books accordingly.

Debt

1. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of bonded or note debt issued during 2009 or 2008 or outstanding as of December 31, 2009 or 2008. We noted that the Township did not issue any new debt during the audit period and paid off all outstanding debt in 2008. All debt noted agreed to the summary we used in step 2.
2. We obtained a summary of note debt activity for 2008 and agreed principal and interest payments from the related debt amortization schedule to General Fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Township made the payments. The Township retired the note early in 2008 in accordance with the early payoff schedule. We noted that the last regular semi-annual payment of \$24,770 and the remaining note payment payoff of \$152,385 were improperly posted as capital outlay expenditures. Redemption of principal and interest and other fiscal charges were therefore understated in 2008 by \$173,360 and \$3,795, respectively. We recommend the Township post principal and interest payments in accordance with their debt payment schedule. There was no debt activity in 2009.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2009 and one payroll check for five employees from 2008 from the Employee Detail Adjustment Report and determined whether the following information in the employees' personnel files and minute records were 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. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – e. 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 determined whether the fund and account codes to which the check was posted was reasonable based on the employees' duties as documented in the minute record or as required by statute. 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, 2009 to determine whether remittances were timely paid, and that the amounts paid agreed to the amounts withheld during the final withholding period during 2009. We noted the following:

Withholding	Date Due	Date Paid	Amount Withheld	Amount Paid
Federal income taxes	January 31, 2010	December 28, 2009	\$455	\$455
State income taxes	January 15, 2010	December 28, 2009	119	119
OPERS retirement (withholding plus employee share)	January 30, 2010	December 28, 2009	1,292	1,292

4. For the pay periods ended October 31, 2009 and March 31, 2008, we compared documentation and the recomputation supporting the allocation of Board salaries to the General Fund. We found no exceptions.

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2009 and ten from the year ended 2008 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 one instance where the certification date was after the vendor invoice date. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should precede the invoice date.

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 Status Report for the General, Cemetery and Lorain County Grant funds for the years ended December 31, 2009 and 2008. The amounts on the *Certificate* did not agree to the amount recorded in the accounting system. We noted the following exceptions:

December 31, 2009			
Fund	Amended Official Certificate of Estimated Resources	Revenue Status Report	Difference
General Fund (1000)	\$338,873	\$282,145	\$56,728
Cemetery Fund (2041)	7,846	4,002	3,844
Lorain County Grant Fund (2901)	15,316	11,319	3,997

December 31, 2008			
Fund	Amended Official Certificate of Estimated Resources	Revenue Status Report	Difference
General Fund (1000)	\$284,231	\$234,135	\$50,096
Cemetery Fund (2041)	19,366	8,520	10,846
Lorain County Grant Fund (2901)	12,316	15,346	(3,030)

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 Trustees may be using inaccurate information for budgeting and monitoring purposes.

2. We scanned the appropriation measures adopted for 2009 and 2008 to determine whether, for the General, Motor Vehicle License Tax and Gasoline Tax funds, 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). The Township adopted a permanent appropriation measure at the fund level of control for both fiscal year 2009 and 2008. The Township should adopt an appropriation measure, which at a minimum, meets the classifications required by this code section.
3. We compared total appropriations required by Ohio Rev. Code Section 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2009 and 2008 for the following funds: General Fund, Gasoline Tax Fund, and Lorain County Grant Fund. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Appropriation Status report. We noted the following:

December 31, 2009			
Fund	Final Amended Appropriation Measure	Final Appropriations per Appropriation Status Report	Difference
General Fund (1000)	\$438,580	\$431,830	\$6,750
Gasoline Tax Fund (2021)	77,000	103,500	(26,500)
Lorain County Grant Fund (2901)	15,316	13,236	2,080

December 31, 2008			
Fund Name	Final Amended Appropriation Measure	Final Appropriations per Appropriation Status Report	Difference
General Fund (1000)	\$570,000	\$519,372	\$50,628
Gasoline Tax Fund (2021)	117,200	135,500	(18,300)
Lorain County Grant Fund (2901)	12,316	12,388	(72)

The Township should update their system accurately and timely to avoid incurring fund balance deficits. Allowing this to occur could cause the Township to incur fund balance deficits.

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, Motor Vehicle License Tax and Cemetery funds for the years ended December 31, 2009 and 2008. We noted no fund 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, 2009 and 2008 for the General, Motor Vehicle License Tax, and Cemetery funds, as recorded in the Appropriation Status Report. We noted that the Gasoline Tax Fund expenditures for 2009 exceeded total appropriations by \$3,357, and the Motor Vehicle License Tax Fund expenditures for 2008 exceeded total appropriations by \$1,751, contrary to Ohio Rev. Code Section 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
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 December 31, 2009 and 2008. We also inquired of management regarding whether the Township received new restricted receipts. The Township received monies from the Ohio Public Works Commission in 2009 and 2008 for capital improvements. We noted that the Township did not establish a capital project fund to segregate these monies in accordance with Section 5705.09.

7. We scanned the 2009 and 2008 Revenue Status Reports and Appropriation Status Reports 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 Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Township did not establish these reserves.

Compliance – Contracts & Expenditures

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2009 and 2008 for procurements requiring competitive bidding under the following statutes:
 - a. Materials, machinery and tools used in constructing, maintaining and repairing roads and culverts, where costs exceeded \$25,000. (Ohio Rev. Code Section 5549.21)
 - b. Construction and erection of a memorial building or monument costs exceeding \$25,000 (Ohio Rev. Code Section 511.12)
 - c. Equipment for fire protection and communication costs exceeding \$50,000 (Ohio Rev. Code Sections 505.37 to 505.42)
 - d. Street lighting systems or improvement costs exceeding \$25,000 (Ohio Rev. Code Section 515.07)
 - e. Building modification costs exceeding \$25,000 to achieve energy savings (Ohio Rev. Code Section 505.264)
 - f. Private sewage collection tile costs exceeding \$25,000 (Ohio Rev. Code Sections 521.02 to 521.05)
 - g. Fire apparatus, mechanical resuscitators, other fire equipment, appliances, materials, fire hydrants, buildings, or fire-alarm communications equipment or service costs exceeding \$50,000 (Ohio Rev. Code Section 505.37(A)).

We identified no purchases subject to the aforementioned bidding requirements.

2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2009 and 2008 to determine if the Township had road construction projects exceeding \$45,000 for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified one project, the 2008 Roads Project, requiring the county engineer to complete a force account cost estimate. We noted that the Lorain County Engineer completed the estimate.
3. For the 2008 Roads Project described in step 2 above, we read the contract and noted that it required the contractor to pay prevailing wages to their employees as required by Ohio Rev. Code Sections 4115.04 and 4115.05. The contract included the Ohio Department of Commerce's schedule of prevailing rates.

Officials' Response – The Township does not have an opposition to the exceptions noted 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 Township'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 is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 23, 2010



Mary Taylor, CPA
Auditor of State

PENFIELD TOWNSHIP

LORAIN 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 7, 2010**