



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Prairie Township
Holmes County
8186 CR189
Holmesville, Ohio 44633

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Prairie 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, 2010 and 2009, 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. The Township 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 Township 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, 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 Status Report to the December 31, 2008 balances in the prior year audited statements. We did, however, note the December 31, 2008 audited statements did not contain the Township's private-purpose trust fund.
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 Status Reports. The amounts agreed.
4. We confirmed the December 31, 2010 bank account balances with the Township'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 five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2010 bank reconciliation:

- a. We traced each debit to the subsequent January and February bank statements. We did, however, note the Township had outstanding checks with dates ranging from 2000 to 2008. The Township should remove long outstanding checks from the bank reconciliation.
 - b. We traced the amounts and dates written to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
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, 135.14 or 135.144. We did, however, note the Township had a 13 Month Jumbo Certificate of deposit in 2009 and 15 Month Jumbo Certificate of Deposit in 2010 that exceeded the ORC 135.13 requirement for a maturity of not more than one year from the date of deposit.

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 Receipt Register Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper fund(s) 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 2010 and 2009:
 - a. Two personal property tax receipts
 - b. Two real estate tax receipts

We noted the Receipts Register Report included the proper number of tax settlement receipts for each year.

- 3. We selected all four receipts from the State Distribution Transaction List (DTL) from 2010 and all five receipts from 2009. We also selected five receipts from the County Auditor's DTLs from 2010 and five from 2009.
 - 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 to the proper fund(s). 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 audit report, we noted the following loan outstanding as of December 31, 2008.

Issue	Principal outstanding as of December 31, 2008:
Tractor and Loader Loan	\$685

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. We noted no new debt issuances however we did note debt payment activity during 2009.
3. The Township was unable to provide us with a summary of debt activity for 2009. Therefore, we were unable to agree principal and interest payments from the related debt amortization schedule to debt service fund payments reported in the Payment Register Detail Report. We were also unable to compare the date the debt service payments were due to the date the Township made the payments.

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 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 one instance where an employee was paid for forty-one hours less than the hours recorded on his timecard. Additionally, the Fiscal Officer was not able to provide pay rate authorization for 3 employees, 3 timecards from 2009 and on from 2010. Because we did not test all timecards, our report provides no assurance whether or not other similar errors occurred.
 - 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 were reasonable based on the employees' duties as documented in the employees' personnel files or as required by statute. 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, 2010 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 2010. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2011	1/7/11	\$1,297.69	\$1,297.69
State income taxes	January 15, 2011	1/20/11	\$1,722.75	\$1,722.75
OPERS retirement	January 30, 2011	1/6/11	\$1,999.55	\$1,999.55

3. For the pay periods ended January 31, 2010 and October 31, 2009, we compared documentation and the recomputation supporting the allocation of Board salaries to the General, Gasoline Tax and Fire Funds. We did, however, note that the Township did not compensate each trustees pay in accordance with the approved salary method allocation. The Township Trustees did not maintain daily records of tasks performed for each individual trustee.
4. For the pay periods described in the preceding step, we were unable to trace Board time to timesheets or other documentation supporting the payment from the Gasoline Tax and Fire Funds. **Ohio Rev. Code §505.24(C) Allocating township trustee per diem costs or salaries to funds. (Amplified by Ohio Attorney General Opinion 2004-036)** states to be paid on a salary basis in equal monthly installments, the board of trustees must unanimously pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund (ORC 505.24(C)). These proportions are a guide for use throughout the year; however, total payment for the fiscal year must be based on the cumulative actual service efforts during the fiscal year on restricted fund activity.

During 2010 and 2009, a portion of the Township Trustees salaries were paid from the Special Revenue Fire District Fund and the Gasoline Tax Fund; however, the Township did not maintain service effort reports during the fiscal year to support the restricted fund activity. See below for the amounts charged per Trustee from restricted funds:

Croskey	2009	2010	Stallman	2009	2010	Green	2009	2010
Gas	5,144.00		Gas	5,144.00	823.04	Gas	5,144.00	10,288.00
Fire	5,144.00	10,288.00						

The Township should maintain service effort reports with a sufficient description of tasks performed during a calendar day, with a percentage of total time worked during that day attributed to each task. The resolution passed by the Township should specify that the Township will allocate salaries based on documentation the trustees submit, not based on percentages a resolution specifies. In accordance with the forgoing facts we hereby issue a finding for adjustment against the General Fund and in favor of the Special Revenue Fire District Fund in the amounts of \$10,288 and \$5,144 for 2010 and 2009, respectively. In accordance with the forgoing facts we hereby issue a finding for adjustment against the General Fund and in favor of the Special Revenue Gasoline Fund in the amounts of \$11,111 and \$15,432 for 2010 and 2009, respectively.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report 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 Payment Register Detail Report and to the names and amounts on the supporting invoices. We found two exceptions in 2010 where no supporting documentation was maintained by the Township to support the expenditure made. Because we did not test all expenditures our report provides no assurance whether or not similar errors occurred.

- 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 did, however, note the Township routinely utilized *Then and Now Certificates* for payments.

Compliance – Budgetary

1. We compared the total amounts 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 (1000), Fire District (2111) and Road District (2141) funds for the years ended December 31, 2010 and 2009. The amounts agreed.
2. We scanned the appropriation measures adopted for 2010 and 2009 to determine whether, for the General (1000), Fire District (2111) and Road District (2141) 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). 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 Comp. of Disb/ Encumbrances Report for 2010 and 2009 for the following funds: General (1000), Fire District (2111) and Road District (2141). The amounts on the appropriation resolutions agreed to the amounts recorded in the Comp. of Disb/ Encumbrances Report.
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 (1000), Fire District (2111) and Road District (2141) 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 (1000), Fire District (2111) and Road District (2141) fund, as recorded in the Comp. of Disb /Encumbrances 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 December 31, 2010 and 2009. We also inquired of management regarding whether the Township received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. We scanned the 2010 and 2009 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers for 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, 2010 and 2009 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))
 - h. Maintenance and repair of roads exceeding \$45,000 (Ohio Rev. Code Section 5575.01)
 - i. Construction or reconstruction of a township road exceeding \$15,000/per mile (Ohio Rev. Code Section 5575.01)

We identified chip and seal projects exceeding \$25,000, subject to Ohio Rev. Code Section 515.07. For these projects, we noted that the Board advertised the project in a local newspaper, and selected the lowest responsible bidder.

2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2010 and 2009 to determine if the township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct township roads (cost of project \$5,000-\$15,000/per mile) 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 no projects requiring the county engineer to complete a force account cost estimate.

Officials' Response: Prairie Township does not receive sufficient revenue into the General Account fund to make a fund adjustment of \$41,975.04 for 2009 and 2010 payroll. Making this adjustment would likely put the general fund into a negative balance. According to the 2012 Budget, the Holmes County Auditor has estimated General Account revenue at \$29,700.00 and Prairie Township Payroll is \$47,840.88. Therefore, at this time it is impossible to pay all salaries from the General Account. Prairie Township will immediately begin paying 1/3 of each Trustee's salary out of General, Gas, & Fire Funds and will provide an affidavit from each Trustee on a monthly basis.

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, those charged with governance and others within the Township, 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 "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 3, 2011

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PRAIRIE TOWNSHIP

HOLMES 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
NOVEMBER 10, 2011**