



Dave Yost • Auditor of State





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

Adams Township  
Clinton County  
389 S. Beechgrove Road  
Wilmington, OH 45177

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Adams Township, Clinton County, Ohio (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, 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 fund balances recorded in the Fund Status Report to the December 31, 2010 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2012 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, 2012 bank reconciliation without exception.
5. We selected all reconciling debits (such as outstanding checks) from the December 31, 2012 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 check register, to determine the debits were dated prior to December 31. 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 2012 and one from 2011:
  - 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 two real estate tax receipts for 2012 and 2011. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2012 and five from 2011. We also selected five receipts from the County Auditor's DTLs from 2012 and five from 2011.
  - a. We compared the amount from the above reports 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.

**Over-The-Counter Cash Receipts**

We haphazardly selected 10 over-the-counter cash receipts from the year ended December 31, 2011 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Receipt Register Report. The amounts agreed.
- b. Amount charged complied with rates in force during the period. We found no exceptions.
- c. Receipt was posted to the proper fund(s), and was recorded in the proper year. We found no exceptions.

**Debt**

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

Issue	Principal outstanding as of December 31, 2010:
2008 Equipment Acquisition Bonds	\$69,150

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail 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 bonded debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedule invoices to debt service 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. We noted the following exceptions:

- The debt payments issued during the audit period on the 2008 Equipment Acquisition General Obligation Bonds were paid directly from the Gas Tax, PMVL, and Fire Funds.

The Equipment Acquisition General Obligation Bonds as issued by the Township, were issued under authority of and pursuant to the general laws of Ohio Revised Code Section 505.262, and by virtue of a resolution duly adopted by the Township Resolution #2008-90 on October 6, 2008. Per both, the ad valorem tax levied for the payment of the principal and interest on the bonds, are to be placed in a separate and distinct Bond Retirement Fund.

We recommend that the required Bond Retirement Fund be established, and that the tax revenues collected to meet the payment of interest and principal of the bonds be placed into the fund annually, and that the annual payments be paid from said fund.

- Debt service payments paid from the Gas Tax and PMVL funds during 2011 and 2012 were reported as Public Works expenses rather than Debt Service Principal and Interest payments. In addition, the debt service payments paid from the Fire/Emergency fund were reported as General Government expenses rather than Debt Service Principal and Interest payments.

We recommend that the Township take due care and refer to the UAN Township chart of accounts when posting debt service payments to assure the principal and interest payments as reported are consistent with the bond amortization schedule.

- Additionally, during 2011 and 2012, \$11,000 and \$6,000 respectively were paid from the Gas Tax Fund for Equipment Acquisition General Obligation Bond Series 2008 payments.

Ohio Revised Code Section 5735.27(A)(5)(d) provides that monies in the Gas Tax Fund are restricted by State Statute. It is not permissible for a township to use monies in the Gas Tax Fund to pay General Obligation Debt. The proceeds of the gasoline tax may not be expended except for the purpose for which the taxes were levied. The 2008 bonds as issued were issued for "the purchase of a dump truck and particularly road construction and repair purposes."

OAG opinion 32-4015 provides that bonds that have been issued, even though they were issued for road purposes, are simply obligations of the township and there status is no different from any other bonded indebtedness of the township. Payments of the Equipment Acquisition General Obligation Bond Series 2008 paid from the Gas Tax Fund were not permissible.

Also, during 2011 and 2012, \$3,000 and \$8,500 respectively, were paid from the Fire/Emergency Fund for Acquisition General Obligation Bond Series 2008 payments.

The Fire/Emergency levy as renewed at the November 2009 General Election was for the purpose of "providing and maintaining fire apparatus, appliances, buildings, or sites therefore,

or sources of water supply and materials therefor, or the establishment and maintenance of lines for fire alarm telegraph, or the payment of permanent, part-time or volunteer firefighters, or firefighting companies to operate the same . . . or the purchase of ambulance, paramedic, or other emergency medical services provided by a fire department or firefighting company . . ." The proceeds of the Fire/Emergency levy may not be expended except for those purposes listed. As such, the payments of the Equipment Acquisition General Obligation Bond Series 2008 from the Fire/Emergency Fund were not permissible.

As a result of the above noted expenditures, an adjustment was made during the audit. The General Fund repaid the Gas Tax fund in the amount of \$17,000 and the Fire/Emergency fund in the amount of \$11,500.

### **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 Employee Detail Adjustment Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. 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 minute record. We also determined whether the payment was posted to the proper year. We found the following exceptions:

During testing of payroll transaction for 2012 and 2011, it was noted that all Trustees were paid from the General Fund; however, the only account code classification used reported the amounts as being Public Works. Based on the service provided by the trustees of the Township, which would include regular monthly meetings, reviewing of vouchers/checks, and analysis of financial reports, a portion, if not all of the Trustees salary should have been recorded to a general government administration classification.

Also, it was noted that the Township employee responsible for the general cleaning, maintenance, and management of the Township offices and gym was paid in 2012 and 2011 entirely from the account code classification Public Works. Based on the services provided by the employee, their respective payroll checks should have been posted to the general government townhall, buildings, and grounds classification.

Additionally, during testing of payroll transactions, we found one instance in 2011 where an hourly employee was paid for snow removal from the Fire/Emergency Special Levy fund in the amount of \$1,106, and one instance in 2012 and one instance in 2011 where an hourly employee was paid for general maintenance and cleaning of office and facilities from the Motor Vehicle License fund in the amounts of \$488 each.

As a result of the forgoing facts, we expanded our testing to include a scan of all remaining Employee Detail Adjustment Reports for hourly employees for 2012 and 2011 to determine if similar instances were noted. That testing revealed that an additional \$427 and \$1,250 was expended in 2012 and 2011 respectively, for snow removal and general road maintenance from the Fire Levy fund. Additionally, testing revealed that an additional \$5,368 was expended each year for 2012 and 2011 for general maintenance and cleaning of office and facilities from the Motor Vehicle License fund.

In accordance with the foregoing facts, an adjustment was made during the audit. The Road and Bridge Fund and General Fund repaid the amounts of the \$2,783 and \$11,712 respectively, to the the Township's Fire/Emergency Special Levy Fund and Motor Vehicle License Fund in the amount of \$2,783 and \$11,712, respectively.

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	January 31, 2013	December 17, 2012	\$578	\$578
State & School District income taxes	January 15, 2013	December 17, 2012	\$476	\$476
OPERS retirement	January 30, 2013	December 17, 2012	\$1,380	\$1,380

### **Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the Payment Register Detail Report 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 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 the following exceptions:

In 2012, we noted a non-payroll disbursement in the amount of \$15,000 for chip and sealing of township roads was paid from the Fire/Emergency Fund.

The Fire/Emergency levy as renewed at the November 2009 General Election was for the purpose of "providing and maintaining fire apparatus, appliances, buildings, or sites therefore, or sources of water supply and materials therefor, or the establishment and maintenance of lines for fire alarm telegraph, or the payment of permanent, part-time or volunteer firefighters, or firefighting companies to operate the same . . . or the purchase of ambulance, paramedic, or other emergency medical services provided by a fire department or firefighting company . . ." The proceeds of the Fire/Emergency levy may not be expended except for those purposes listed. As such, the payment for the chip and sealing of township roads from the Fire/Emergency Fund was not permissible.

Additionally, in 2011, we note two non-payroll disbursements in the amounts of \$105 and \$293 for cleaning supplies, and building repair materials respectively, were paid from the Motor Vehicle License fund.

In accordance with the foregoing facts, an adjustment was made during the audit. The Gas Tax Fund repaid the Fire/Emergency fund in the amount of \$15,000 and the General Fund repaid the Motor Vehicle License fund in the amount of \$398.

- 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 three instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. 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 *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, Gas and Fire funds for the years ended December 31, 2012 and 2011. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$75,070 for 2011. However, the final *Amended Official Certificate of Estimated Resources* reflected \$75,300. 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 2012 and 2011 to determine whether, for the General, Gas and Fire 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 Appropriation Status Report for 2012 and 2011 for the following funds: General, Gas, and Fire Funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
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 General, Gas and Fire funds for the years ended December 31, 2012 and 2011. 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, 2012 and 2011 for the General, Gas and Fire fund, 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 December 31, 2012 and 2011. 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 2012 and 2011 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 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**

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2012 and 2011 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.

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.



**Dave Yost**  
Auditor of State

May 17, 2013

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**ADAMS TOWNSHIP**

**CLINTON 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  
JUNE 11, 2013**