



Dave Yost • Auditor of State

**CHESTER TOWNSHIP
MORROW COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Chester Township
Morrow County
3875 Chester Township Road 178
Fredericktown, Ohio 43019

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Chester 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, 2013 and 2012, 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, 2013 and December 31, 2012 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2012 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2011 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2013 and 2012 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2013 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, 2013 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 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.

Cash and Investments (Continued)

6. We tested investments held at December 31, 2013 and December 31, 2012 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 Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2013 and one from 2012:
 - 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 funds 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 2013 and 2012. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2013 and all from 2012. We also selected five receipts from the County Auditor's Vendor History Reports from 2013 and five from 2012.
 - 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 noted the Township allocated one 2013 rollback from the DTL entirely to the General fund rather than allocate it to the General (\$51), Fire District (\$34), Cemetery (\$28), and Road & Bridge (\$66) funds. Additionally, we noted the Township allocated one 2012 rollback from the DTL entirely to the General fund rather than allocate it to the General (\$56), Fire District (\$37), Cemetery (\$31), and Road & Bridge (\$72) funds. We brought this to management's attention. They corrected the General, Fire District, Cemetery, and Road & Bridge fund balances for these items. However, because we did not test all receipts, our report provides no assurance regarding whether or not other similar errors occurred. The Fiscal Officer should allocate rollbacks based on the tax settlement sheets from the County Auditor.
 - 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 bonds and loan outstanding as of December 31, 2011.

Issue	Principal outstanding as of December 31, 2011:
OPWC Loan	\$119,098
Road Equipment Bonds	\$12,722

Debt (Continued)

2. We inquired of management, and scanned the Receipt Register Report for evidence of debt issued during 2013 or 2012. We noted the Township issued a \$94,500 Township Equipment Bond in 2013. However, the Township did not record the proceeds of the bond or the purchase of the dump truck in October 2013 in the Township's accounting system. The Fiscal Officer should record all activity of the Township in the Township's accounting system.
3. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Receipt Register Report. We noted the Township issued a \$94,500 Township Equipment Bond in 2013. However, the Township did not record the proceeds of the bond or the purchase of the dump truck in October 2013 in the Township's accounting system. The Fiscal Officer should record all activity of the Township in the Township's accounting system.
4. For new debt issued during 2013, we inspected the debt legislation, noting the Township must use the proceeds to purchase a dump truck. We scanned the Payment Register Detail Report and noted the Township did not record the proceeds of the bond or the purchase of the dump truck in October of 2013 in the Township's accounting system. The Fiscal Officer should record all activity of the Township in the Township's accounting system.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 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 employees' personnel files or minute record. We also determined whether the payment was posted to the proper year. We found one instance where \$1,020 in gross wages was posted entirely to the Gasoline Tax fund rather than being allocated between the Gasoline Tax (\$697) and Cemetery (\$323) funds based on an employee timesheet. We brought this to management's attention. They corrected the Gasoline Tax and Cemetery fund balances for this item. However, because we did not test all payroll disbursements, our report provides no assurance whether or not other similar errors occurred. The Fiscal Officer should allocate gross wages to the appropriate fund(s) based on the employees' duties as documented in the employees' personnel files, minute record, timesheets, etc.
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files or minute record 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. 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
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above.

Payroll Cash Disbursements (Continued)

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2013 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 2013. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal Income Taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2014	January 3, 2014	\$424	\$424
State Income Taxes	January 31, 2014	January 3, 2014	\$178	\$178
School District Income Tax	January 31, 2014	January 3, 2014	\$77	\$77
OPERS Retirement	January 30, 2014	January 2, 2014	\$1,569	\$1,569

4. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 to determine if Township employees and/or Trustees were reimbursed for out-of-pocket insurance premiums. Due to errors noted in 2012 and 2013, we also reviewed the 2014 records to verify if insurance reimbursements were properly made. We noted insurance reimbursements made were in compliance with ORC 505.601 for Trustees Shinaberry and Warwick. However, we further noted that Trustee Fisher, who did not incur any expenses related to insurance premiums during 2012, 2013, and the first three months of 2014, was improperly reimbursed \$1,800 in 2013, \$2,400 in 2012, and \$600 in 2014 for actual medical expenses, rather than insurance premiums as required under ORC 505.601. Lastly, we noted that Trustee Shaffer, who did not incur any expenses related to insurance premiums during the first five months of 2014, was improperly paid \$1,000.

Ohio Rev. Code § 505.601 provides that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains.

Pursuant to the May 2006 and January 2013 Board Minutes, the Board of Trustees agreed to reimburse each elected official a maximum of \$150 (and later \$200) per month for out of pocket premiums they incur for insurance policies listed in division (A) of Section 505.60 of the Ohio Rev. Code.

Although no expenses related to insurance premiums were incurred, Trustees Fisher and Shaffer were reimbursed a total of \$4,800 and \$1,000, respectively.

Payroll Cash Disbursements (Continued)

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Trustee Fisher and Ohio Township Association Risk Management Authority, his bonding company, in the amount of \$4,800 and in favor of Chester Township's General Fund and against Trustee Shaffer and Ohio Township Association Risk Management Authority, his bonding company, in the amount of \$1,000 and in favor of Chester Township's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228.

Fiscal Officer Anna-Marie Vukovich and Trustees Shinaberry Warwick and Shaffer authorized expenditures illegally paid to Trustee Fisher while, Fiscal Officer Anna-Marie Vukovich and Trustees Shinaberry and Fisher authorized expenditures illegally paid to Trustee Shaffer. Accordingly, Fiscal Officer Vukovich and Travelers Casualty and Surety Company of America, her bonding company, will be jointly and severally liable, in the amount of \$5,800 and in favor of the Township's General Fund; Trustee Shinaberry and Ohio Township Association Risk Management Authority, his bonding company, will be jointly and severally liable, in the amount of \$5,800 and in favor of the Township's General Fund; Trustee Warwick and Ohio Township Association Risk Management Authority, his bonding company, will be jointly and severally liable, in the amount of \$4,200 and in favor of the Township's General Fund; Trustee Fisher and Ohio Township Association Risk Management Authority, his bonding company, will be jointly and severally liable, in the amount of \$1,000 and in favor of the Township's General Fund; and Trustee Shaffer and Ohio Township Association Risk Management Authority, his bonding company, will be jointly and severally liable, in the amount of \$600 and in favor of the Township's General Fund.

On November 24, 2014, Trustee Shaffer repaid his \$1,000 finding. This repayment was receipted into the General Fund with receipt number 211-2014. On December 4, 2014, Trustee Fisher's bonding company repaid his \$4,800 finding. This repayment was receipted into the General Fund with receipt number 222-2014

5. We scanned the Appropriation Account Summary Report for both 2013 and 2012 and noted that 100% of gross wages for all three Trustees was allocated to the General fund. However, we further noted that fringe benefits related to two Trustees was improperly allocated to the Gasoline Tax and Cemetery funds in the amount \$3,180 (\$1,590 each fund) in both 2013 and 2012. We brought this to management's attention. They corrected the General, Gasoline Tax, and Cemetery fund balances for these items. However, because we did not test all non-payroll disbursements, our report provides no assurance regarding whether or not other similar errors occurred. The Fiscal Officer should allocate fringe benefits based on the payroll allocation.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2013 and ten from the year ended 2012 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.

Non-Payroll Cash Disbursements (Continued)

- 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 eight 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, Gasoline Tax and Cemetery funds for the years ended December 31, 2013 and 2012. The amounts on the *Certificate* did not agree to the amount recorded in the accounting system. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Gasoline Tax, and Cemetery funds of \$128,850, \$97,400, and \$82,700, respectively for 2013. However, the final *Amended Official Certificate of Estimated Resources* reflected \$90,216, \$0, and \$44,170 for the General, Gasoline Tax, and Cemetery funds, respectively. Additionally, the Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Gasoline Tax, and Cemetery funds of \$124,100, \$97,400, and \$82,700, respectively for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$121,000, \$85,900, and \$73,350 for the General, Gasoline Tax, and Cemetery funds, 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 Trustees may be using inaccurate information for budgeting and monitoring purposes.
2. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General, Gasoline Tax and Cemetery 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 2013 and 2012 for the following funds: General, Gasoline Tax, and Cemetery. 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, Gasoline Tax and Cemetery funds for the years ended December 31, 2013 and 2012. We noted that Gasoline Tax fund appropriations for 2013 exceeded certified resources by \$7,384, contrary to Ohio Rev. Code Section 5705.39. The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township 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, 2013 and 2012 for the General, Gasoline Tax and Cemetery funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.

Compliance – Budgetary (Continued)

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, 2013 and 2012. We also inquired of management regarding whether the Township received new restricted receipts. We noted the Township issued general obligation bonds in the amount of \$94,500 during 2013 for the purchase of a dump truck. The 2013 payment on these bonds was recorded in the General Fund rather than a Bond Retirement Fund as required by Ohio Rev. Code Section 5705.09.
7. 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.
8. We scanned the Cash Summary by Fund Report for the years ended December 31, 2013 and 2012 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 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

Columbus, Ohio

November 5, 2014

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CHESTER TOWNSHIP

MORROW 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 30, 2014**