



Dave Yost • Auditor of State

LEBANON TOWNSHIP
MEIGS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Trustees
Lebanon Township
Meigs County
30752 Trouble Creek Rd.
Portland, Ohio 45770

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Lebanon Township, Meigs County, Ohio (the Township), and the Auditor of State 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 documented in the prior year Agreed-Upon Procedures working papers. 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 institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2013 bank reconciliation without exception.

Cash and Investments (Continued)

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.
6. We selected the only reconciling credit (such as deposits in transit) from the December 31, 2013 bank reconciliation:

Receipt number 84-2013 in the amount of \$9,270.98 to the Gas Tax Fund was voided on December 5, 2013 as it mistakenly double posted the actual receipt amount. It was replaced with receipt number 85-2013 in the amount of \$4,635.49. Receipt number 85-2013 was deposited per the bank statement on December 5, 2013. However, the voided receipt was not actually marked void in the UAN system and was still carried as a reconciling item on the December 31, 2013 reconciliation. This resulted in a Finding for Adjustment against the Gas Tax Fund in the amount of \$9,270.98. The Township has made the adjustment. We recommend the Fiscal Officer void transactions in the UAN system as they occur. In addition, we recommend the Fiscal Officer follow-up on any reconciling items when the reconciliation is completed.
7. 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.

We did, however, note the Township did not include the activity of the Cemetery Endowment CD in the UAN ledgers. The Township should establish a Cemetery Permanent fund to record the activity of the endowment. This also would result in a Finding for Adjustment in favor of the Cemetery Permanent Fund in the amount of \$25,419. The Township has made the adjustment.

We recommend the Fiscal Officer set up a Permanent Fund within the UAN system to track the activity of the Cemetery Endowment and insure the activity is included on the Annual Financial Report.

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

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts (Continued)

3. We selected all four of receipts from the State Distribution Transaction Lists (DTL) from 2013 and all four from 2012. We also selected five receipts from the County Auditor's Expenditure History by Vendor report from 2013 and five from 2012.
 - a. We compared the amount from the above reports to the amounts recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We noted receipt number 75-2012 was posted to the General Fund, however, the settlement sheet attached indicated the receipt should have been posted to the General, Road and Bridge, Cemetery, and Fire Special Levy Funds. This resulted in a Finding for Adjustment against the General Fund in the amount of \$177 and in favor of the Road and Bridge Fund in the amount of \$51, the Cemetery Fund in the amount of \$60, and the Fire Special Levy Fund in the amount of \$66. The Township has made the adjustment. We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. The prior agreed-upon procedures documentation disclosed no debt outstanding as of December 31, 2011.
2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of note debt activity for 2013 and 2012 and agreed principal and interest payments from the related debt amortization schedule to Motor Vehicle License 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 that the allocation of principal and interest in the Payment Register Detail report did not agree to the amortization schedule. However, the payment total was correct and the payment was made timely. We recommend the Fiscal Officer follow the principal and interest allocations per the amortization schedule provided by the bank when posting debt payments.
4. We could not agree the amount of debt proceeds from the debt documents to amounts recorded in the Motor Vehicle License Fund per the Receipt Register Report. The Township purchased a tractor in the amount of \$37,900 on September 8, 2012. The Township entered into a loan agreement with Home National Bank in the amount of \$20,340 (including bank fees), and traded in an old tractor for a credit of \$7,900. The Township did not record the Proceeds of Debt or the Sale of Asset. We recommend the Township record future purchases of this type as Proceeds of Debt and Sale of Asset with an offsetting entry to Capital Outlay.
5. For new debt issued during 2012, we inspected the debt legislation, noting the Township must use the proceeds to purchase a tractor. We scanned the Payment Register Detail Report and noted the Township purchased a tractor in September of 2012.

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 codes to which the check was posted were 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 noted there was no allocation to the General Fund for the Township Trustees' payroll checks. We also noted the Fiscal Officer did not follow the allocations noted on the employee's time card on November 15, 2012. This resulted in a Finding for Adjustment in favor of the Gasoline Tax Fund and against the Cemetery Fund in the amount of \$93.

2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files 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 and any other deduction authorizations (deferred compensation, etc.).
 - f. Any other deduction authorizations (deferred compensation, etc.).

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

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	1/31/14	12/31/13	\$2,323.86	\$2,323.86
State income taxes	1/31/14	12/31/13	\$277.20	\$277.20
OPERS retirement	1/30/14	12/31/13	\$1,605.76	\$1,605.76

4. For the pay periods ended June 29, 2013 and November 30, 2012, we recomputed the allocation of the Boards' salaries per the Employee Detail Adjustment Report. We noted the Board had not passed the required salary resolution.

Ohio Rev. Code Section 505.24(C) provides, in part, 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. If trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Trustees must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized.

Payroll Cash Disbursements (Continued)

We recommend the Trustees pass the required resolution at their annual organizational meeting. In addition, the Fiscal Officer should follow the allocations provided on the certifications when posting the monthly payroll.

Although the Trustees did not pass the required resolution, the certifications were completed. However, the Fiscal Officer did not follow the fund allocations per the certifications which resulted in a Finding for Adjustment in step 5 below.

5. For the pay periods described in the preceding step, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires.

The Trustees did provide monthly certifications documenting the percentage of time spent by fund. However, the Fiscal Officer did not follow the certifications when posting payroll and posted 100% of the Trustees' salaries to the Gas Tax Fund for the November 30, 2013 and the June 29, 2013 payrolls. Further testing also indicated the Trustee certifications were not followed throughout the year for 2013 or 2012.

This resulted in a Finding for Adjustment in favor of the Gasoline Tax fund in the amount of \$30,635 and against the General Fund in the amount of \$5,094, the Road and Bridge Fund in the amount of \$17,829, and the Cemetery Fund in the amount of \$7,712. The Township has posted the adjustment.

We recommend the Fiscal Officer follow the trustee payroll certifications and employee timecards when allocating salaries.

Non-Payroll Cash Disbursements

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 one exception:

The Township purchased a tractor in the amount of \$37,900 on September 8, 2012. The Township paid \$10,000 as a down payment, entered into a loan agreement with Home National Bank in the amount of \$20,340 (including bank fees), and traded in an old tractor for a credit of \$7,900. The Village only recorded Capital Outlay of \$10,000 rather than the full purchase price as they did not record the receipts related to the loan and trade in. We recommend the Township record future purchases of this type as Proceeds of Debt and Sale of Asset with an off-setting entry to Capital Outlay.

- 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 thirteen 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. We recommend the Fiscal Officer certify purchases prior to obligation whenever possible. When necessary, a *Then and Now Certificate* may be issued.

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 Road and Bridge Funds for the years ended December 31, 2013 and 2012. The amounts agreed.
2. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General, Gasoline Tax, and Road and Bridge 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 Road and Bridge. 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 Road and Bridge Funds for the years ended December 31, 2013 and 2012. 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, 2013 and 2012 for the General, Gasoline Tax, and Road and Bridge Funds, 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, 2013 and 2012. We also inquired of management regarding whether the Township received new restricted receipts. We noted the following: The Township did not include the activity of a Cemetery Endowment in the UAN ledgers. The Township should establish a Cemetery Endowment fund to record the activity of the endowment.
7. We scanned the 2013 and 2012 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

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 the Auditor of State, 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

Columbus, Ohio

April 4, 2014

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LEBANON TOWNSHIP

MEIGS 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
APRIL 22, 2014**