



Dave Yost • Auditor of State





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

Fairfield Township  
Huron County  
1 North Main Street, PO Box 118  
North Fairfield, Ohio 44855-0118

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Fairfield Township, Huron 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, 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

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 found no exceptions.
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.
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 bank statement. We found no exceptions.

- 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.

### **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 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 Revenue Ledger 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 Revenue Ledger included the proper number of tax settlement receipts for each year.

3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2010 and five from 2009. We also selected five receipts from the Huron County Auditor Vendor Expense Report (HCAVER) from 2010 and five from 2009.
  - a. We compared the amount from the DTL and the HCAVER to the amount recorded in the Receipt Register Report. The amounts agreed.
  - b. We determined whether these receipts were allocated to the proper funds. 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 selected all over-the-counter cash receipts from the year ended December 31, 2010 and all over-the-counter cash receipts from the year ended December 31, 2009 recorded in the Revenue Ledger and determined whether the:

- a. Amount charged complied with rates in force during the period. We found no exceptions.
- b. Receipt was posted to the proper fund, and was recorded in the proper year. We found no exceptions.

### **Debt**

1. The prior audit report disclosed no debt outstanding as of December 31, 2008.
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 the Township entered into a lease agreement for a fire truck on September 21, 2010. The first lease payment was not due until 2011.
3. For new debt issued during 2010 and 2009, we inspected the debt legislation, noting the Township must use the proceeds to purchase a fire truck. We scanned the Payment Register Detail Report and noted the Township purchased a fire truck in July of 2010.

### **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 Employee Detail Adjustment Report and:
  - a. We compared the amount paid recorded in the Employee Detail Adjustment Report to supporting documentation for 2010 (an excel spreadsheet provided by the Fire Chief). We found no exceptions. We compared the information per the excel spreadsheet to Fire Run and Meeting Poster. We noted the information did not agree. The Fire Chief should ensure the excel spreadsheet provided to the Fiscal Officer accurately reports Fire Run and Meeting information. Because we did not test all fire department employees, our report provides no assurance whether or not other similar errors occurred.
  - b. We compared the amount paid recorded in the Employee Detail Adjustment Report to supporting documentation for 2009 (Fire Run and Meeting Poster provided by the Fire Chief). We found the amounts did not agree. The difference between amounts paid and supporting documentation ranged from \$10.00 to \$27.50. The Fire Chief should ensure accurate information is provided to the Fiscal Officer to ensure amounts paid are properly calculated and in accordance with activity records. Because we did not test all fire department employees, our report provides no assurance whether or not other similar errors occurred.
  - c. We determined whether the fund and account code to which the check was posted were reasonable based on the employees' duties as documented in minute record. 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:

| <b>Withholding<br/>(plus employer<br/>share, where<br/>applicable)</b> | <b>Date Due</b>  | <b>Date Paid</b>  | <b>Amount<br/>Due</b> | <b>Amount<br/>Paid</b> |
|--|------------------|-------------------|-----------------------|------------------------|
| Federal income taxes and Medicare                                      | January 31, 2011 | December 21, 2010 | \$1,295.72            | \$1,295.72             |
| State income taxes   | January 15, 2011 | December 21, 2010 | 214.09                | 214.09                 |
| Local income tax   | January 15, 2011 | December 21, 2010 | 238.75                | 238.75                 |
| OPERS retirement   | January 30, 2011 | December 21, 2010 | 1,850.23              | 1,850.23               |

3. For the pay periods ended January 31, 2010 and October 31, 2009, we were unable to compare documentation and recomputation supporting the allocation of Board salaries to the General and Gas Tax Funds. **Ohio Rev. Code Section 505.24(C)** sets forth the method by which township trustees' compensation should be allocated and requires compensation must be paid from the General Fund or from other such funds in proportion to time spent on matters related to services rendered. Board of Trustees wages in the amount of \$21,866.28 were allocated to the Gasoline Tax in 2010. Board of Trustee wages in the amount of \$21,114 were allocated to the Gasoline Tax in 2009. The Board of Trustees followed guidance provided by their legal counsel and prepared a certification whereby the allocation of compensation to the Gasoline Tax fund was specified, however, this methodology did not capture the actual time worked relative to permissible activities chargeable to the Gasoline Tax fund as a percentage of time worked on all Township business. Accordingly compensation in the amount of \$21,866.28 and \$21,114 are deemed unallowable for the Gasoline Tax fund and should have been paid from the General Fund. The Fiscal Officer recorded an adjustment on February 17, 2012 in the Township's accounting records to reimburse the Gasoline Tax fund \$42,980.28 from the General Fund.

**Non-Payroll Cash Disbursements**

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2010 and ten from the year ended December 31, 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 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 no exceptions.

### 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, Road and Bridge and Cemetery funds for the years ended December 31, 2010 and 2009. 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 \$89,007 for 2009 and \$120,080 for 2010. However, the final Amended Official Certificate of Estimated Resources reflected \$88,960 for 2009 and \$121,580 for 2010. 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 2010 and 2009 to determine whether, for the General, Gasoline Tax and Permissive Motor Vehicle License 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). 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 2010 and 2009 for the following funds: General, Gasoline Tax and Permissive Motor Vehicle License Tax funds. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Appropriation Status report for the General and Gasoline Tax funds in 2010 and 2009, and the Motor Vehicle License Tax Fund in 2009. Total appropriations for 2010 in the General and Gasoline Tax funds were \$285,971 and \$154,201, respectively, while the Appropriation Status Report reflected \$283,373 and \$153,701, respectively. Total appropriations for 2009 in the General, Gasoline Tax, and Motor Vehicle License Tax funds were \$271,674, \$150,627, and \$63,883, respectively, while the Appropriation Status Report reflected total appropriations of \$251,219, \$47,008, and \$62,500, respectively. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the Appropriation Resolution to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
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, Gasoline Tax and Permissive Motor Vehicle License Tax 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, Special Levy II and Special Levy III funds, as recorded in the Comparison of Disbursement and Encumbrance 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 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.

#### **Compliance – Contracts and 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 the purchase of a fire truck exceeding \$50,000, subject to Ohio Rev. Code Section 505.37-505.42. For this project, we noted 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:**

We did not receive a response from Officials to the exceptions reported 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, 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

April 2, 2012

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FAIRFIELD TOWNSHIP

HURON 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  
MAY 1, 2012