



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Loramie Township
Shelby County
4376 Rangeline Road
Russia, Ohio 45363

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Loramie Township, Shelby County, (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 Ledger Report to the December 31, 2010 balances documented 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 balance 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 five reconciling debits (such as outstanding checks) haphazardly 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 Appropriations History Report from 2012 and five from 2011.
 - a. We compared the amounts 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.
4. We confirmed the amount paid from the Ohio Public Works Commission Issue I Grant on behalf of the Township during 2011 with Van Buren Township. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - b. 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, 2010.
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 the note debt activity for 2012 and 2011 and compared principal and interest payments from the related debt amortization schedule to General 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 found no exceptions.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the General Fund per the Receipt Register Report. The amounts agreed.
5. For new debt issued during 2011, we inspected the debt legislation, noting the Township must use the proceeds to purchase a new snow plow truck. We scanned the Payment Register Detail Report and noted the Township purchase a snow plow truck in January of 2011.

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 (legislatively or statutorily-approved rate or salary). We found no exceptions.
 - 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, minute records, Trustees' daily logs, and payroll certification sheets. We also determined whether the payment was posted to the proper year. We found no exceptions except for the Trustees' salaries not being properly allocated among funds based on the payroll certification sheets and daily logs maintained for each pay. See citation in #4 below.

2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files, the minutes records, the Payroll Register, and the Employee Detail Adjustment Report 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 and funds 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.

3. 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:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2013	December 31, 2012	\$562.94	\$562.94
State income taxes	January 15, 2013	December 31, 2012	\$111.19	\$111.19
School income tax	January 31, 2013	December 31, 2012	\$90.89	\$90.89
OPERS retirement	January 30, 2013	December 31, 2012	\$900.87	\$900.87

4. For the pay periods ended November 30, 2012 and October 31, 2011, we compared documentation and the re-computation supporting the allocation of the Boards' salaried amounts to the General and Gas Tax Fund per the Employee Detail Adjustment Report. We noted that two trustees' monthly salaries paid out on October 31, 2011 and November 30, 2012 were fully charged to the Gas Tax fund and the other trustee's monthly salary was fully charged to the General fund, which did not agree to the Trustees' daily logs and certification sheets signed by the trustees and submitted for that month. We then recomputed the fund allocation to the total salaries for 2012 and 2011, which has resulted in the following noncompliance issue

Payroll Cash Disbursements (Continued)

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036.

Ohio Rev. Code Section 505.24(C) states that by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Auditor of State Bulletin 2011-007 further clarified that township trustees paid by the annual salary method that compensate from funds other than the general fund, must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each township trustee that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. If 100% of the compensation of the township trustee/fiscal officer is to be paid from the general fund, no certification is required.

Per review of the township's payroll documentation, we noted that the township had calendars logging each Trustee's time spent for the period from January – October 2011; and then they went to payroll certification sheets for the remainder of the audit period from November 2011 – December 2012. Even though the supporting documentation noted a split of each Trustee's time between General Fund and Gas Tax Fund, the Fiscal Officer paid one Trustee 100 percent from the General Fund and the other two Trustees 100 percent from the Gas Tax Fund in both 2011 and 2012, instead of properly splitting each Trustee's salaries in accordance with the payroll documentation. This error in posting had an overall net effect of \$196 owed to the Gas Tax from the General Fund in 2011, and no effect in 2012. The Township records have been adjusted accordingly as stated above.

The township's failure to comply with the requirements set out above could also result in findings for adjustment in subsequent audits.

The Township Board of Trustees should follow the procedures outlined in statute above, along with AOS Bulletin 2011-007 in regards to charging Trustee salaries to any fund other than the general fund. The Fiscal Officer should then post the payroll expenditures in accordance with the split between funds as documented on the monthly payroll certification sheets.

5. For the pay periods described in the preceding step, we traced Board time or services performed to time or activity sheets. We found no exceptions.

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 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 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 Tax, and Cemetery 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, Gas Tax, and Cemetery fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$112,914, Gas Tax fund of \$87,486, and Cemetery fund of \$12,182 for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$107,279 for the General fund, \$83,425 for the Gas Tax fund, \$16,166 for the Cemetery fund. 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, Motor Vehicle License 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 2012 and 2011 for the General, Motor Vehicle License Tax, and the Gas Tax Funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report, except for the General Fund. The Appropriation Status Report recorded appropriations for the General fund of \$148,175 for 2011. However the final Appropriation Resolution reflected \$138,175. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the final 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 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, Road and Bridge and Fire District 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, Road and Bridge, and Fire District 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, 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

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2012 and 2011 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 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 5549.21)
 - b. Construction and erection of a memorial building or monument costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (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 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 515.01 & 515.07)
 - e. Building modification costs exceeding \$25,000 (\$50,000 effective September 29, 2011) to achieve energy savings (Ohio Rev. Code Section 505.264)
 - f. Private sewage collection tile costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (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 no purchases subject to the aforementioned bidding requirements.

2. 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.

Officials' Response

Payroll Cash Disbursements:

An adjustment was made to the General Fund -\$196.00 and to the Gas Fund +\$196.00 to reflect the correction made for the percentages take out of these funds to pay the trustees in 2011. The trustees will review the audit findings and the townships policy in following ORC 505.24. and adopt a resolution to reflect the township's policy in paying the trustees and fiscal officer.

Budgetary:

The fiscal officer will periodically compare the amounts recorded in the Revenue Status Report to the Amended Official Certificate of Estimated Resources when making these adjustments to ensure the amounts are accurate.

The fiscal officer will periodically compare the amounts recorded in the Appropriation Status Report to the Amended Annual Appropriations Resolution when making these adjustments to ensure the amounts are accurate.

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

April 2, 2013

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LORAMIE TOWNSHIP

SHELBY 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 14, 2013