



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Washington Township
Shelby County
9501 Stangel Road
Sidney, Ohio 45365

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Washington 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 and Investments

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 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, 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 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.

Cash and Investments (Continued)

6. We tested investments held at December 31, 2012 and December 31, 2011 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, 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 all four receipts from the State Distribution Transaction Lists (DTL) from 2012 and all three receipts from 2011. We also selected five receipts from the County Auditor's Appropriation History Report 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; except for the two homestead and rollback receipts in each year were posted at net instead of the gross amount. Therefore we recommend that the Fiscal Officer posts all homestead and rollback at gross and then post the deductions as expenditures to the fund to accurately state the proper amount of tax revenue received by the township.
 - b. We determined whether these receipts were allocated to the proper fund(s). We noted the following exceptions:
 - The homestead and rollback receipt from April 2011 was miss-posted between the Fire Levy fund and Road & Bridge fund in the amount of \$1,227 when compared to the tax settlement sheet breakdown. This resulted in the following adjustment: reduce Fire Levy fund by \$1,227 and increase Road & Bridge fund by \$1,227. The Township records have been adjusted accordingly as stated above.
 - The rollback receipts from the August 2011 and August 2012 manufactured home settlements were fully posted all to the General Fund instead of being posted to the various tax levy funds in accordance with the tax settlement sheet breakdowns. This has resulted in the following adjustments: reduce General fund by \$57, increase Road & Bridge fund by \$19, increase Fire Levy fund by \$11, and increase Road Improvement fund by \$27. The Township records have been adjusted accordingly as stated above.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amount paid from the OPWC Issue I Grant on behalf of the Township during 2011 with Van Buren Township. We noted that the OPWC Issue I grant of \$31,975 paid out on behalf of Washington Township directly to the contractor was not recorded as a memo receipt and memo expenditure in 2011 as required to record this grant. The net effect of this is zero; therefore, no fund adjustment is necessary.

Debt

1. From the prior audit documentation, we noted the following lease purchase agreement outstanding as of December 31, 2010. These amounts agreed to the Townships January 1, 2011 balances on the summary we used in step 3.

Lease Purchase Agreement	Principal outstanding as of December 31, 2010:
Truck Lease	\$31,161

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 lease purchase debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedule to Road & Bridge 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.

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 Payment Register Detail and:
 - a. We compared the hours and pay rate, or salary recorded in the Payment Register Detail 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 minute record or as required by statute. 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, 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, 2012	December 27, 2012	\$448.47	\$448.47
State income taxes	January 15, 2012	December 27, 2012	\$114.38	\$114.38
School District income tax	January 31, 2012	December 27, 2012	\$ 84.21	\$ 84.21
OPERS retirement	January 30, 2012	December 27, 2012	\$885.96	\$885.96

3. For the pay periods ended December 31, 2012 and December 31, 2011, we re-computed the allocation of the Boards' salaries to the General, Gas Tax, and Cemetery Funds per the Payment Register Detail Report. We found no exceptions.
4. For the pay periods described in the preceding step, we traced Boards' salary for time or services performed to time or activity sheets and supporting certification the Revised Code requires. 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 except for check number 3570 issued on March 24, 2011 to Hosack Construction Company in the amount of \$7,350 did not have a supporting invoice.
 - 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 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 Tax and Road Improvement funds for the years ended December 31, 2012 and 2011. The amounts agreed.
2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether, for the General, Gas Tax and Road Improvement 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 Tax and Road Improvement 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, Road & Bridge and Fire Levy 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 Tax and Road Improvement 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. The Township established the Fire Department Equipment Grant fund during 2012 to segregate the grant received from the State for fire equipment grant receipts and disbursements, in compliance with Section 5705.09.

Compliance – Budgetary (Continued)

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 a chip and seal project in 2011, in the amount of \$64,898, which falls under maintenance and repair of roads projects exceeding \$45,000, subject to Ohio Rev. Code Section 5575.01. For this project, we noted that the Board advertised the project in a local newspaper, and selected the lowest responsive and responsible bidder.

We also identified a chip and seal project in 2012, in the amount of \$49,900, which falls under maintenance and repair of roads projects exceeding \$45,000, subject to Ohio Rev. Code Section 5575.01. For this project, the Township failed to competitively bid the project as required by statute, so the township may not have paid the lowest price possible. The township should implement procedures to competitively bid contracts that exceed the amounts outlined in the Ohio Revised Code as noted above.

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' Responses

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

- 3a) The homestead and rollback receipts were complicated and the fiscal officer now understands what and how these receipts are posted.
- 3b) The fiscal officer inadvertently miss-posted a few homestead and rollback receipts to the wrong funds and has made adjustments to correct.
- 4) The fiscal officer understands now that when an OPWC grant directly paid on behalf of the township is received, a fund must be set up to post a memo receipt and memo expenditure to account for the grant.

Non-payroll Cash Disbursements

- 1b) The Township had received a quote from Hosack for the refinishing and repairing the exterior walls of the Township building in 2010; however, the work was not completed and invoiced until 2011 and the quote was not brought forward to the 2011 records. The fiscal officer has now made a copy of said quote and attached to warrant #3570.
- 1d) The fiscal officer realizes that this is an ongoing issue and repeatedly informs the Trustees that they need to contact the fiscal officer prior to obligating purchases or repairs.

Compliance – Contracts

- 1) The township officials specifically contacted the county prosecutor in regards to this project and whether it needed to be competitively bid and were misinformed that the amount required for bid was \$50,000. The fiscal officer now has a copy of the ORC limitation of \$45,000 for projects dealing with maintenance and repair of roads.

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 1, 2013



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WASHINGTON 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 9, 2013