



Dave Yost • Auditor of State





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

Milan Township  
Erie County  
1518 State Route 113 East  
Milan, Ohio 44846-9528

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Milan Township, Erie 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, 2014 and 2013, 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, 2014 and December 31, 2013 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 balances in documentation in the prior year agreed-upon procedures working papers. We found no exceptions. We also agreed the January 1, 2014 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 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, 2014 and 2013 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2014 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, 2014 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2014 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.

**Cash and Investments – (Continued)**

- b. We traced the amounts and dates to the Payment Register Detail Report, to determine the debits were dated prior to December 31. We noted no exceptions.
- 6. We tested investments held at December 31, 2014 and December 31, 2013 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 Cash Receipts**

- 1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the *Statement*) for 2014 and one from 2013:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger 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 Report to determine whether it included two real estate tax receipts for 2014 and 2013. We noted the Revenue Ledger Report included the proper number of tax receipts for each year.
- 3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2014 and five from 2013. We also selected five receipts from the Erie County Auditor Local Government Confirmation from 2014 and five from 2013.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Detail Report. The amounts agreed.
  - b. We determined whether these receipts were allocated to the proper funds. We noted incorrect allocations for a 2014 undivided liquor permit payment. The incorrect allocations result in the fund balances below being improperly over/(understated) by the following amounts:

| <u>Fund Type/Fund</u>                | <u>2014<br/>Amount</u> |
|--------------------------------------|------------------------|
| General Fund                         | \$579                  |
| <b>Special Revenue Fund Type:</b>    |                        |
| Road and Bridge Fund                 | (144)                  |
| Special Levy Fire and Ambulance Fund | (119)                  |
| Special Levy Fire Only Fund          | (158)                  |
| Special Levy Fire Continuing Fund    | (158)                  |

### **Property Taxes and Intergovernmental Cash Receipts – (Continued)**

Ohio Rev. Code Section 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, shall be paid into the General Fund. The Fiscal Officer should record undivided liquor permit payments in the General Fund. Because we did not test fund allocation for all receipts, our report provides no assurance whether or not additional similar errors occurred. The Fiscal Officer made the adjustments to the Township's ledgers on October 6, 2015.

- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

### **Over-The-Counter Cash Receipts**

We haphazardly selected ten over-the-counter cash receipts from the year ended December 31, 2014 and ten over-the-counter cash receipts from the year ended December 31, 2013 recorded in the receipt binders and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Receipt Detail Report. The amounts agreed.
- b. Amount charged complied with rates in force during the period. We found no exceptions.
- c. Receipt was posted to the proper fund, and was 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, 2012.
2. We inquired of management, and scanned the Receipt Detail Register Report and Payment Register Detail Report for evidence of debt issued during 2014 or 2013 or debt payment activity during 2014 or 2013. We noted no new debt issuances, nor any debt payment activity during 2014 or 2013.

### **Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2014 and one payroll check for five employees from 2013 from the Detail Wage Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Detail Wage Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found one instance where an employee was paid \$1 per hour less than her hourly rate as authorized in the minute record, resulting in an underpayment of \$21.50 for the pay period examined. Employees should be compensated at the legislatively-approved rate as documented in the minute record. Because we did not test all rates of pay, our report provides no assurance whether or not other similar errors occurred.

**Payroll Cash Disbursements – (Continued)**

- b. We determined whether the fund and account code to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files, minute record, or as required by statute. We noted that while the Maintenance Supervisor performs various tasks, including town hall, parks, and road maintenance, he does not submit time cards detailing the tasks performed. In order to ensure the proper funds and departments are charged, the Maintenance Supervisor should submit time cards detailing tasks performed in order to determine the appropriate funds and departments to be charged. 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, 2014 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:

| <b>Withholding<br/>(plus employer share,<br/>where 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 (and social security, for employees not enrolled in pension system) | January 31, 2015 | January 7, 2015  | \$4,372               | \$4,372                |
| State income taxes  | January 15, 2015 | January 7, 2015  | 582                   | 582                    |
| Village of Milan income tax   | January 31, 2015 | January 7, 2015  | 170                   | 170                    |
| OPERS retirement  | January 30, 2015 | December 8, 2014 | 4,258                 | 4,258                  |

3. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2014 and 2013 to determine if Township employees and/or Trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were not in compliance with Ohio Rev. Code Section 505.60.

Ohio Rev. Code Section 505.60(D) provides if any Township officer or employee is denied coverage under a health care plan procured under this section or if any Township officer or employee elects not to participate in the Township's health care plan, the Township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee and their immediate dependents for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the Township for its officers and employees under any health care plan it procures under this section.

**Payroll Cash Disbursements – (Continued)**

Fiscal Officer James Verbridge was reimbursed in excess of amounts paid for actual out-of-pocket insurance premiums during 2013 and 2014 as follows:

| <u>Year</u>                   | <u>Actual Out-of-Pocket Premiums Paid</u> | <u>Actual Amount Reimbursed</u> | <u>Excess</u>    |
|-------------------------------|---|---------------------------------|------------------|
| 2013                          | \$0                                       | \$1,550                         | (\$1,550)        |
| 2014                          | 0   | 2,950                           | ( 2,950)         |
| Total Overpayment to Employee |   |                                 | <u>(\$4,500)</u> |

Trustee Sparky Weilnau participated in the Township's insurance coverage and was reimbursed for out-of-pocket deductibles and co-pays in the amount of \$2,600 during 2013. The provisions of Ohio Rev. Code Section 505.60(D) limit reimbursements to out-of-pocket premiums paid for insurance the employee otherwise obtains rather than reimbursement for deductibles or co-pays paid by individuals as required under the limits of the Township's insurance.

In accordance with foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against James Verbridge, in the amount of four thousand five hundred dollars (\$4,500), and Sparky Weilnau, in the amount of two thousand six hundred dollars (\$2,600), and in favor of Milan's Township's General Fund. James Verbridge reimbursed the Township on September 10, 2015. Sparky Weilnau reimbursed the Township on September 9, 2015.

Amounts reimbursed to employees and officers for out-of-pocket insurance premiums should be limited to actual out-of-pocket premium expenses incurred and paid to employees and officers not participating in the Township's insurance plan.

**Non-Payroll Cash Disbursements**

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2014 and ten from the year ended December 31, 2013 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 noted three road maintenance payments totaling \$2,304 from the General Fund. Ohio Rev. Code Section 5549.21 requires all payments on account of machinery, tools, material, and labor used in the constructing, reconstructing, maintaining, and repairing roads and culverts within the Township to be made from the Road and Bridge Fund. Payments related to road maintenance should be posted to the Township's Road and Bridge Fund. Because we did not test all fund and account code postings, our report provides not assurance whether or not similar errors occurred. The Fiscal Officer made the adjustments to the Township's ledgers on October 6, 2015.

**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 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, Motor Vehicle License Tax, and Special Levy Fire and Ambulance funds for the years ended December 31, 2014 and 2013. The amounts agreed.
2. We scanned the appropriation measures adopted for 2014 and 2013 to determine whether, for the General, Motor Vehicle License Tax, and Special Levy Fire and Ambulance 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 2014 and 2013 for the following funds: General, Motor Vehicle License Tax, and Special Levy Fire and Ambulance. The amounts on the appropriation measures 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, Motor Vehicle License Tax, and Special Levy Fire and Ambulance funds for the years ended December 31, 2014 and 2013. 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, 2014 and 2013 for the General, Motor Vehicle License Tax, and Special Levy Fire and Ambulance 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 Detail Register Report for evidence of new restricted receipts requiring a new fund during the years ended December 31, 2014 and 2013. 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 2014 and 2013 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 – Budgetary – (Continued)**

9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2014 and 2013 for negative cash fund balances. Ohio Rev. Code Section 5705.10(l) 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 expense of another. We noted no fund having a negative cash fund balance.

**Compliance – Contracts and Expenditures**

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2014 and 2013 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

October 21, 2015

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# Dave Yost • Auditor of State

**MILAN TOWNSHIP**

**ERIE 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  
NOVEMBER 5, 2015**