



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Lafayette Township
Medina County
6776 Wedgewood Road
Medina, Ohio 44256

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Lafayette Township, Medina County, Ohio (the Township) on the receipts, disbursements and balances recorded in the Township's cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township. 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 recalculated the December 31, 2017 and December 31, 2016 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2016 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2015 balances in the documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2017 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2016 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 2017 and 2016 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We confirmed two of the December 31, 2017 bank account balances with the Township's financial institution. We found no exceptions. We also observed the year-end bank balances for the other six accounts on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2017 bank reconciliation without exception.

Cash and Investments (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2017 bank reconciliation:
 - a. We traced each debit to the subsequent January, February, and March bank statements. We noted two checks cleared the bank in November 2017, but were still included on the December 31, 2017 outstanding check listing. These checks were reissued payroll amounts for returned ACH transfers that were not properly accounted for UAN.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.
6. We selected all four reconciling credits (such as deposits in transit) haphazardly from the December 31, 2017 bank reconciliation:
 - a. We traced each credit to the subsequent January bank statement. We found no exceptions.
 - b. We agreed the credit amounts to the Receipts Register. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We inspected investments held at December 31, 2017 and December 31, 2016 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 haphazardly selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2017 and one from 2016:
 - a. We traced the gross receipts from the Statement to the amount recorded in the Receipt Export Report. We also traced the advances noted on the Statement to the Receipt Export Report. The First Half Settlement for 2016 was posted net of deductions rather than at total distribution, resulting in revenues and expenses being understated by \$1,978, \$2,629, \$2,421, and \$3,699 in the General Fund, Road and Bridge Fund, Sheriff's Contract Fund, and the Fire and Rescue Combination Levy Fund, respectively. All other amounts agreed.
 - b. We inspected the Receipt Export Report to confirm 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 inspected the Receipt Export Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Export Report to determine whether it included two real estate tax receipts plus seven advances for 2017 and 2016. The Receipt Export Report included the proper number of tax receipts for each year.

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

3. We haphazardly selected five receipts from the State Distribution Transaction Lists (DTL) from 2017 and all four from 2016.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Detail Report. We noted the Township recorded Homestead and Rollback net of deductions rather than at total distribution, resulting in revenue and expenses being understated by \$20, \$132, \$147, and \$112 in the General Fund, Road and Bridge Fund, Fire and Rescue Combination Levy Fund, and Sheriff's Contract Fund in 2017 and \$19, \$125, \$151 and \$115 in the General Fund, Road and Bridge Fund, Fire and Rescue Combination Levy Fund, and Sheriff's Contract Fund in 2016.
 - b. We inspected the Receipt Detail Report to determine that these receipts were allocated to the proper fund(s). We found no exceptions.
 - c. We inspected the Receipt Detail Report to determine whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from Medina County to the Township during 2017 and 2016. The Township posted a 2016 estate tax settlement net of deductions and election expenses rather than at total distribution, resulting in an understatement of revenues and expenses totaling \$7,552 in the General Fund. The Township posted a 2017 estate tax settlement net of deductions rather than at total distribution, resulting in an understatement of revenues and expenses totaling \$45 in the General Fund. No other exceptions noted.
 - a. We inspected the Receipt Export Report to determine whether these receipts were allocated to the proper funds. We found no exceptions.
 - b. We inspected the Receipt Export Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

Over-The-Counter Cash Receipts

We haphazardly selected 10 over-the-counter cash receipts from the year ended December 31, 2017 and 10 over-the-counter cash receipts from the year ended December 31, 2016 recorded in the duplicate cash receipts book and:

- a. Agreed the receipt amount to the amount recorded in the Receipt Export Report. The amounts agreed.
- b. Confirmed the amounts charged complied with rates in force during the period. We found no exceptions.
- c. Inspected the Receipt Export Report to determine the receipt was posted to the proper fund, and was recorded in the proper year. We found one check dated October 1, 2016; however, the check was posted to the accounting system on January 17, 2017. The supporting documentation was not date stamped; therefore, we were unable to determine whether the receipt was recorded in the proper year. No other exceptions were noted; however, because we did not inspect all receipts, our report provides no assurance regarding whether or not other similar errors occurred.

Debt

1. The prior agreed-upon procedures documentation disclosed no debt outstanding as of December 31, 2015.
2. We inquired of management, and inspected the Receipt Export Report and Payment Export Report for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. There were neither new debt issuances, nor any debt payment activity during 2017 or 2016.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2017 and one payroll check for five employees from 2016 from the Wage Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary We found two instances where employees were paid rates that were not Board-approved. In addition, we found one instance in 2017 where an employee was overpaid by \$82.50 due to an error in payroll standing data. The Township should attempt to recover the overpayment. Additionally, the Township should ensure adequate internal controls are in place for the proper calculation of payroll amounts including the use of board approved pay rates. Because we did not compare all pay rates, our report provides no assurance whether or not other similar errors occurred.
 - b. We inspected the fund and account code(s) to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' personnel files and minute record, or as required by statute. We also confirmed the payment was posted to the proper year. We found no exceptions.

2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2017 to confirm 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 2017. We observed the following:

Withholding (plus employer share, where applicable)	<u>Date Due</u>	<u>Date Paid</u>	<u>Amount Due</u>	<u>Amount Paid</u>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2018	January 26, 2018	\$3,911.52	\$3,911.52
State income taxes	January 15, 2018	January 24, 2018	665.96	665.96
Local income tax	January 15, 2018	January 24, 2018	213.97	213.97
OPERS retirement	January 31, 2018	January 31, 2018	6,964.91	6,964.91

As stated above, the Township paid the amounts due for State income taxes and Local income taxes seven business days after the due date. The Township should ensure all withholding payments are submitted by the required due date in order to ensure compliance with Ohio Rev. Code Sections 145.47 and 145.48 and avoid possible penalties.

3. We inquired of management and inspected the Payment Export Report for the years ended December 31, 2017 and 2016 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. No such reimbursements occurred.

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Export Report for the year ended December 31, 2017 and ten from the year ended 2016 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 Export 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 six 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 inspect 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 Fund, Road and Bridge Fund, and Fire and Rescue Combination Levy Fund for the years ended December 31, 2017 and 2016. The amounts on the Certificate did not agree to the amount recorded in the accounting system for the General Fund, Road and Bridge Fund, and Fire and Rescue Combination Levy Fund for 2016 and 2017. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund, Road and Bridge Fund, and Fire and Rescue Combination Levy Fund \$115,580, \$365,200, and \$571,050, respectively, for 2017. However, the final Amended Official Certificate of Estimated Resources reflected \$176,658, \$395,600, and \$632,950, respectively. Additionally, the Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund, Road and Bridge Fund, and Fire and Rescue Combination Levy Fund \$120,015, \$365,200, and \$571,050, respectively, for 2016. However, the final Amended Official Certificate of Estimated Resources reflected \$123,800, \$349,800, and \$581,700, respectively. 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 inspected the appropriation measures adopted for 2017 and 2016 to determine whether, for the General Fund, Road and Bridge Fund, and Fire and Rescue Combination Levy Fund, 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.

Compliance – Budgetary (Continued)

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 2017 and 2016 for the following funds: General, Road and Bridge, and Fire and Rescue Combination Levy Funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report, except for the Fire and Rescue Combination Levy fund in 2017. The Appropriation Status Report recorded appropriations of \$832,398. However, the appropriation resolutions plus amendments reflected \$799,998. All appropriation amendments should be formally adopted by the Township Trustees. Additionally, amounts recorded in the accounting system should be periodically compared to the appropriation amendments to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and to monitor spending.
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 Fund, Road and Bridge Fund, and Fire and Rescue Combination Levy Fund for the years ended December 31, 2017 and 2016. There were 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, 2017 and 2016 for the General Fund, Road and Bridge Fund, and Fire and Rescue Combination Levy Fund, as recorded in the Appropriation Status Report. There were no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Receipt Export Report for evidence of new restricted receipts requiring a new fund during December 31, 2017 and 2016. We also inquired of management regarding whether the Township received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. For funds existing in prior years, inspect the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2017 and 2016 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$10 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 (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13 or 5705.132. The Township did not establish these reserves.
10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2017 and 2016 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 expenses of another. No funds had a negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Payment Export Report for the years ended December 31, 2017 and 2016 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.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling complete financial statements, as defined in AOS Bulletin 2015-007 in the HINKLE System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Township's deadline where the initial filing was filed on time but incomplete. We confirmed the Township filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2017 and 2016 in the HINKLE system. There were no exceptions for the year ended December 31, 2017. The financial statements for the year ended December 31, 2016 were originally filed within the allotted timeframe; however, the notes to the financial statements were not included as required. Complete financial statements with notes were subsequently filed on August 22, 2018.
2. We inspected the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. The Fiscal Officer obtained the required training.

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*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2017 and 2016, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.

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

September 24, 2018



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LAFAYETTE TOWNSHIP

MEDINA 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
OCTOBER 16, 2018**