



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Liberty Township
Van Wert County
13695 Richey Road
Van Wert, Ohio 45891

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Liberty Township (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.

This report only describes exceptions exceeding \$10.

Cash and Investments

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 Cash Journal to the December 31, 2008 balances in the prior year audited statements. We found no exceptions to the Township total cash balance, except, the 2008 Cash Journal ending balance for General Fund was \$86,613 and Road & Bridge Fund was \$30,641. Per the prior year audited statements, General Fund was \$85,157 and Road & Bridge Fund \$32,097. Variance in the Cash Journal is due to a 2006 audit adjustment that was corrected twice, therefore, the 2009 Cash Journal General Fund beginning balance is overstated and the Road & Bridge beginning balance is understated by \$1,456. The adjustment to correct this error was posted to the Township's ledger on May, 6, 2011.
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 Cash Journal. The amounts agreed.
4. We confirmed the December 31, 2010 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, 2010 bank reconciliation without exception.
5. We selected all reconciling debits (such as outstanding checks) haphazardly from the December 31, 2010 bank reconciliation:

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Cash and Investments (Continued)

- a. We traced each debit to the subsequent January and February bank statements. 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.
6. We selected the only deposit in transit from the December 31, 2010 bank reconciliation:
- a. We traced the credit to the subsequent January bank statement. We found no exceptions.
 - b. We agreed the credit amount to the Cash Journal. The credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We tested investments held at December 31, 2010 and December 31, 2009 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 2010 and one from 2009:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Journal. 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 Receipt Journal to determine whether it included the proper number of tax receipts for 2010 and 2009:
 - a. One delinquent personal property tax receipt
 - b. Two real estate tax receipts
 - c. Two Manufactured Homes Tax Receipts

We noted the Receipts Journal included the proper number of tax settlement receipts for each year.

3. We tested all receipts from the State Distribution Transaction Lists (DTL) from 2010 and 2009. We also selected five receipts from the Van Wert County Auditor's Appropriation History Report from 2010 and five from 2009.
 - a. We compared the amount from the DTL and the County's Appropriation History Report to the amount recorded in the Receipt Journal. 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.
4. We confirmed the amount paid from Issue II Funds to the Township during 2010. We found that the Township did not book the amount received and expended on its behalf. Issue II funds of \$53,129 should have been posted as Capital Project Fund – Intergovernmental Revenue and Capital Outlay in 2010. The Township should implement procedures to timely record this on-behalf activity.

Debt

1. From the prior audit report, we noted the following note outstanding as of December 31, 2008. These amounts agreed to the Townships January 1, 2009 balances on the summary we used in step 3.

<u>Issue</u>	<u>Principal outstanding as of December 31, 2008:</u>
Richey Road TIF Note	\$11,361

2. We inquired of management, and scanned the Receipt Journal and Appropriation Ledger for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. We noted no new debt issuance, and all of the debt payment activity agreed to the summary we used in step 3.
3. We obtained a summary of the Richey Road TIF Note activity for 2010 and 2009 and agreed principal and interest payments from the related debt amortization schedule to the Capital Project – TIF Fund payments reported in the Appropriation Ledger. 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 2010 and one payroll check for five employees from 2009 from the Pay Roll Record and:
 - a. We compared the hours and pay rate, or salary amount used in computing gross pay to supporting documentation (timecard, 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. We also determined whether the payment was posted to the proper year. We found no exceptions except for the Trustee's salaries not being posted to the proper fund based on the trustees' timesheets. See Finding for Adjustment in #3 below.
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:

<u>Withholding (plus employer share, where applicable)</u>	<u>Date Due</u>	<u>Date Paid</u>	<u>Amount Due</u>	<u>Amount Paid</u>
Federal income taxes & Medicare	January 31, 2011	December 31, 2010	\$ 586.50	\$ 586.50
State income taxes	January 15, 2011	December 31, 2010	\$ 283.55	\$ 283.55
Ohio School District income tax	January 31, 2011	December 31, 2010	\$ 177.52	\$ 177.52
OPERS retirement	January 30, 2011	December 31, 2010	\$1,365.57	\$1,365.57

3. For the pay periods ended September 2010 and February 2009, we compared documentation and the re-computation supporting the allocation of Board salaries to the Gasoline Tax Fund. We found exceptions for all three trustees for 2009 and 2010. The payperiod timesheets do not support the 100% allocation to the Gasoline Tax Fund.

Material Noncompliance / Material Weakness – Finding for Adjustment

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.

In summary, **Ohio Rev. Code Section 505.24(C)** requires the following:

- (1) Trustees receiving per diem compensation: The trustees must resolve a method by which each trustee shall periodically notify the township clerk of the number of days spent on township services and the kinds of services rendered on those days. The per diem compensation shall be paid from the township general fund or from other township funds in proportion to the kinds of services rendered, as documented. (For example, the township could charge trustee time spent on road repairs to the road & bridge fund.)
- (2) Trustees receiving compensation by annual salary: By resolution, Rev. Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Rev. Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement.

However, for salaries not paid from the general fund, effective October 19, 2004, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township restricted funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees' document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these restricted funds.

Per the above, the trustees must keep records of the time spent on various tasks and the fund to which the Township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered. A diary, time sheets or other methods will suffice if they include the information described above.

The Trustees did not pass a resolution to pay salaries from restricted funds for the years 2010 and 2009. Also, the pay-period timecards signed by the Trustees did not agree to the 100% allocation of salaries to the Gasoline Fund. During 2010 and 2009, this resulted in overcharge of \$4,880 for salaries, \$683 for OPERS, and \$2,617 for Health Insurance to the Gasoline Tax fund for each year.

The adjustments required to accurately state the Township's fund balances at December 31, 2010 are as follows:

<u>Fund Type</u>	<u>Ending Fund Balance at 12-31-10</u>	<u>Misstatement Increase/(Decrease)</u>	<u>Ending Fund Balance after Adjustment</u>
General	\$107,969	(\$16,360)	\$91,609
Gasoline Tax	18,439	16,360	34,799

The Finding for Adjustment was posted to the Township's manual cash journal ledger.

Non-Payroll Cash Disbursements

1. From the Appropriation Ledger, we re-footed checks recorded as General Fund disbursements for *General Government*, and checks recorded as *public works* in the Motor Vehicle License fund for 2010. We found no exceptions.

Non-Payroll Cash Disbursements (Continued)

2. We haphazardly selected ten disbursements from the Appropriation Ledger for the year ended December 31, 2010 and ten from the year ended 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 Appropriation Ledger 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 funds' 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 Receipt Journal for the General, Gasoline and TIF 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 Receipt Journal recorded budgeted (i.e. certified) resources for the General fund in the amount of \$36,420 and \$36,550 for 2010 and 2009, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$32,854 and \$34,300, 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 scanned the appropriation measures adopted for 2010 and 2009 to determine whether, for the General, Gasoline and TIF 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 Ledger for 2010 and 2009 for the following funds: the General, Gasoline, and TIF Funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Ledger.
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 and TIF 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, Gasoline and TIF funds, as recorded in the Appropriation Ledger. 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 Journal 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.

Compliance – Budgetary (Continued)

7. We scanned the 2010 and 2009 Revenue Journal and Appropriation Ledger 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 Ledger 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 Appropriation Ledger 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 a paving project in 2010 and a road project in 2009 exceeding \$45,000, subject to Ohio Rev. Code Section 5575.01. For these projects, we noted that the Board advertised the projects in a local newspaper, and selected the lowest responsible bidder for each project.

2. We inquired of management and scanned the Appropriation Ledger 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.

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 and those charged with governance and is not intended to be, and should not be used by anyone other than these specified parties and others within the Township.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 22, 2011

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LIBERTY TOWNSHIP

VAN WERT 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
AUGUST 2, 2011