



Dave Yost • Auditor of State

MILLWOOD TOWNSHIP
GUERNSEY COUNTY

TABLE OF CONTENTS

TITLE _____ **PAGE**

Independent Accountants' Report on Applying Agreed-Upon Procedures..... 1

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Millwood Township
Guernsey County
P.O. Box 176
51 North Pike Street
Quaker City, Ohio 43773

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Millwood Township, Guernsey 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, 2013 and 2012, 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, 2013 and December 31, 2012 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2012 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2011 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 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, 2013 and 2012 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2013 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, 2013 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 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 2013 and one from 2012:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report for 2012 and the Revenue Receipt Register Report for 2013. 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 Register Report for 2012 and the Revenue Receipt Register Report for 2013 to determine whether it included two real estate tax receipts for 2013 and 2012. We noted the Receipts Register Report for 2012 and the Revenue Receipt Register Report for 2013 included the proper number of tax receipts for each year.
3. We selected all (4) receipts from the State Distribution Transaction Lists (DTL) from 2013 and all (4) from 2012. We also selected five receipts from the County Auditor's Cross Reference Report by Vendor Number from 2013 and five from 2012.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report for 2012 and the Revenue Receipt Register Report for 2013. 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.

Over-The-Counter Cash Receipts

We haphazardly selected 10 over-the-counter cash receipts from the year ended December 31, 2013 and 10 over-the-counter cash receipts from the year ended 2012 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Receipt Register Report for 2012 and the Revenue Receipt Register Report for 2013. The amounts agreed.
- b. Amount charged complied with rates in force during the period. During 2012 and 2013 the Township received payments for the sale of slag, stone and gravel; however, no invoices were maintained. The Township allows private individuals to buy stone, slag and gravel from the Township, but the Township did not invoice the customers for these purchases. We also found the Township received payments in 2012 and 2013 for a portion of its electric bill for a neighboring restaurant using the Township's electric for some of the restaurant's freezers. The Township does not have an established policy or has not adopted a resolution that addresses this service. We recommend the Trustees establish a policy or adopt a resolution addressing the sale of slag, stone and gravel by the Township, the use of electric and for road open cut permits. If the Trustees wants to bill individuals for the same price the Township is charged per ton for the slag, stone or gravel, the policy or resolution should state this and an invoice should be prepared that shows the amount the Township was charged should be attached to the receipts from the individuals when they pay for the stone, slag or gravel in order to show the current price at the time the materials were purchased. This will serve as support for the sale of the slag, stone or gravel. Also, the road open cut permits should detail the amount that is being charged and should support the receipt from the payees for the permits.

Over-The-Counter Cash Receipts (Continued)

- c. Receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

Debt

1. From the prior audit documentation, we noted the following bonds and notes outstanding as of December 31, 2011. These amounts agreed to the Township's January 1, 2012 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2011:
Promissory Note – Dump Truck	\$18,726
Promissory Note – Building	\$6,500
Bond – Road Grader	\$45,800

2. We inquired of management, and scanned the Receipt Register Report for 2012 and the Revenue Receipt Register Report for 2013 and Payment Register Detail Report for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of bonded and note debt activity for 2013 and 2012 and agreed principal and interest payments from the related debt amortization schedules to General Fund, Gasoline Tax Fund, Road and Bridge Fund, General Bond Note Retirement – Tractor Fund and General Bond Note Retirement – Dump Truck 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. For new debt issued during 2012, we inspected the debt legislation, noting the Township must use the proceeds to purchase a Case loader backhoe. We found the Kansas State Bank of Manhattan, whom the Township has the government obligation contract with, paid Southeastern Equipment Co., Inc. directly for the purchase of the Case loader backhoe.

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities, Section 133.10 allows anticipation securities in anticipation of current property tax revenues, Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue. On April 9, 2012, the Township entered into a government obligation contract with the Kansas State Bank of Manhattan for the purchase of a Case backhoe in the amount of \$47,708. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133. Further, the Kansas State Bank of Manhattan paid the vendor, Southeastern Equipment Co., Inc., directly for the purchase of the Case backhoe. The Fiscal Officer did not post the receipt and the expenditure for the government obligation contract to its books. The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Township contact their legal counsel before incurring future debt. We also recommend the Fiscal Officer record a receipt and the corresponding expenditures for all debt issuances in the Township's books.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for all employees from 2013 and one payroll check for all employees from 2012 from the Employee Detail Adjustment Report for 2012 and the Wage Detail for 2013 and:
 - a. We compared the salary recorded in the Employee Detail Adjustment Report for 2012 and the Wage Detail for 2013 to supporting documentation (statutorily-approved rate or salary). During 2013 and 2012, the Township's Estimated Resources (budget) would have allowed the Township to pay elected officials (fiscal officer and trustees) at a higher annual salary. The board minutes did not document that the elected officials had declined the raise in salary. We recommend that if the elected official's intention was to not accept annual salary increase, this action should be documented in the minutes.
 - b. We determined whether the fund and account code to which the check was posted were reasonable based on the employees' duties 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, 2013 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:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, if applicable)	January 31, 2014	December 27, 2013	\$525.70	\$525.70
State income taxes	January 15, 2014	December 28, 2013	\$164.94	\$164.94
OPERS retirement	January 30, 2014	December 28, 2013	\$764.06	\$764.06

3. For the pay periods ended May 2013 and November 2012, we recomputed the allocation of the Boards' salaries to the General and Gasoline Tax Fund per the Employee Detail Adjustment Report for 2012 and Wage Detail for 2013. We found no exceptions.
4. For the pay periods described in the preceding step, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found the Board did not prepare any payroll certifications for 2013 and 2012, instead the Board continued to utilize timesheets. Ohio Rev. Code § 505.24(C) states if trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Trustees must complete a 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. We recommend the Township review Ohio Rev. Code Sections 505.24 and 507.09, and adopt formal administrative procedures regarding signed certifications of the allocation of payroll by each Trustee for each monthly pay period. The Fiscal Officer should not distribute the Trustees' salary until such signed certification is obtained. If they are paid 100% out of the General Fund, no certification is required.

Payroll Cash Disbursements (Continued)

5. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. We found the following:

Ohio Revised Code § 505.601 provides that if a board of trustees does not procure an insurance policy or group health care services as provided in Section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of Section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- a. The board of township trustees adopts a resolution that states that the Township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.
- b. That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the Township will not reimburse the officer or employee.
- c. That resolution states the specific benefits listed in division (A) of Section 505.60 of the Revised Code for which the Township will reimburse all officers and employees of the Township. The Township may not reimburse officers and employees for benefits other than those listed in division (A) of Section 505.60 of the Revised Code.

During the audit period, the Township did not procure an insurance policy or group health care services under Ohio Rev. Code Section 505.60 instead it reimbursed township officers for out-of-pocket premiums. The Township Board of Trustees on December 28, 2012 passed a Resolution to increase the health care reimbursement amount from \$2,500 to \$3,000 for calendar year 2013. This Resolution and all preceding Resolutions for health care reimbursement did not contain all the necessary conditions outlined in Ohio Rev. Code Section 505.601. Further, we found the Resolution contained the phrase "pay to company" for insurance reimbursement which is not permitted under Ohio Revised Code Section 505.601 as discussed in 2005 Op. Atty. Gen. No 2005-038. Additionally, we found the Fiscal Officer reimbursed the Trustees and herself in advance for insurance reimbursements. Although documentation was provided to support the insurance reimbursements for 2012 and 2013, reimbursements for insurance should not be made until proof of payment has been provided to the Township.

We recommend the Township Board of Trustees pass a Resolution, that includes all the necessary statutory conditions, to formalize its intent to not procure an insurance policy or group health care and to reimburse officers and employees for each out-of-pocket premium attributable to insurance benefits described in division (A) of Section 505.60 of the Revised Code. Further, we recommend the Township eliminate the phrase "pay to company" from the resolution adopted because payments to companies for insurance reimbursements are not allowed under the law. We also recommend the Fiscal Officer reimburse for insurance only after support has been provided of the payment for the insurance by the Trustee or Fiscal Officer.

Also, while the Township may provide this type of reimbursement for out-of-pocket insurance premiums, Article II, Section 20 of the Ohio Constitution prohibits any change, whether an increase or decrease in a Trustee's salary (which encompasses other forms of compensation) during his term.

Payroll Cash Disbursements (Continued)

Trustee Jerry Lippert's term is January 1, 2010 through December 31, 2013. The Township reimbursed Jerry Lippert \$3,000 during calendar year 2013. The reimbursement maximum for health care premiums during Trustee Lippert's term was \$2,500. As a result, Jerry Lippert received an impermissible in-term pay increase of \$500.

Trustee Jerry Lippert paid the Township for the in-term increase with check #19316 on October 8, 2014, in the amount of \$500.00. The Township deposited these funds in the bank on October 14, 2014 and receipted the money into the Gasoline Tax Fund on October 14, 2014 with receipt number 83-2014,

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2013 and ten from the year ended 2012 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 one instance where a warrant in the amount of \$232.50 was not supported by an invoice from the payee. The warrant was supported by board action in the minutes stating the trustees requested a payment be made to the payee for hours worked at a specified rate for FEMA cleanup. We recommend the Fiscal Officer obtain invoices before paying obligations.
 - 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 one instance 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, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2013 and 2012. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the Gasoline Tax Fund in 2012 and the Road and Bridge Fund in 2013. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Gasoline Tax fund of \$71,308.64 for 2012 and recorded budgeted (i.e. certified) resources for the Road and Bridge fund of \$35,072 for 2013. However, the final *Amended Official Certificate of Estimated Resources* reflected \$67,531.92 for the Gasoline Tax Fund for 2012 and reflected \$41,072 for the Road and Bridge Fund for 2013. 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.

Compliance – Budgetary (Continued)

2. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General, Gasoline 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 2013 and 2012 for the following funds: General, Gasoline Tax and Road and Bridge. 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 prohibit appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2013 and 2012. We noted that Gasoline Tax Fund appropriations for 2012 exceeded certified resources by \$3,776.72, contrary to Ohio Rev. Code Section 5705.39. The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township to incur fund balance deficits.
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, 2013 and 2012 for the General, Gasoline Tax and Road and Bridge 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 the establishment of 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, 2013 and 2012. 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 2013 and 2012 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$500 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of the transfers that 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.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2013 and 2012 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) 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. We noted no fund having a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 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.

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

Columbus, Ohio

October 29, 2014



Dave Yost • Auditor of State

MILLWOOD TOWNSHIP

GUERNSEY 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 18, 2014**