



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Butler Township
Darke County
4060 Grubbs-Rex Road
Arcanum, Ohio 45304

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

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 balances with the Township's financial institution. We also agreed the confirmed balances to the amounts appearing in the December 31, 2013 bank reconciliation with an exception related to the Township's certificate of deposit accounts. The confirmed balance of the Township's certificate of deposit accounts at December 31, 2013 totaled \$94,076; however, the balance of the Township's certificate of deposit accounts on its December 31, 2013 bank reconciliation totaled \$93,254, which resulted in a variance of \$822. The Township did not post interest that had been earned on these certificate of deposit accounts, which resulted in the noted variance. Once interest is earned on the certificate of deposit accounts, the Township should record the earned interest on its accounting system.

Cash and Investments (Continued)

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 and February bank statements. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31st. We noted no exceptions.
6. We tested investments held at December 31, 2013 and December 31, 2012 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

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. 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 to determine whether it included two real estate tax receipts for 2013 and 2012. 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 2013 and all three from 2012. We also selected five receipts from the Darke County Vendor Report from 2013 and five from 2012.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. 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.

Debt

1. The prior audit documentation disclosed no debt outstanding as of December 31, 2013.
2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. We noted no new debt issuances, nor any debt payment activity during 2013 or 2012.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 from the 2012 Employee Detail Adjustment Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found one instance where an employee was paid for five hours more than the hours recorded on the time sheet. Because we did not test all time sheets, our report provides no assurance whether or not other similar errors occurred. The Township officials should closely review time sheets and payroll calculations to ensure that all employees are being paid only for time actually worked. Additionally, we found that the elected officials (three Trustees and the Fiscal Officer) were not paid based upon the Township's current budget according to the Trustee and Fiscal Officer Compensation Chart for 2013 and 2012. Each of the Trustees and the Fiscal Officer were underpaid in the amount of \$43 and \$118, respectively, for the individual pay period reviewed for each year. The elected officials were paid based on the budget level that was a step less than the Township's actual budget. If the elected officials choose to be paid less than the statutory amount, the Township Trustees should approve such an arrangement so that it is clearly documented and supported.
 - 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 minute records. We also determined whether the payment was posted to the proper year. We found no exceptions related to the payment being posted to the proper year. See payroll step 3 below for description of exceptions related to the allocation of salary and health insurance reimbursements to funds other than the General Fund for the elected officials for 2012 and 2013.

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	January 31, 2014	December 31, 2013	\$632	\$1,263
State income taxes	January 31, 2014	December 31, 2013	\$137	\$210
School income tax	January 31, 2014	December 31, 2013	\$203	\$310
OPERS retirement	January 30, 2014	December 31, 2013 February 17, 2014	\$793	\$318 (paid December 31, 2013) and \$475 (paid February 17, 2014)

As noted above, the Township did not pay OPERS the full amount due as required by Ohio Rev. Code Sections 145.47 and 145.48 by January 31, 2014. Full payment for the amount due to PERS was paid in full on February 17, 2014. Additionally, the Township paid the 3rd quarter income taxes (federal, state and school) with the 4th quarter income taxes. This resulted in late payment of these 3rd quarter taxes. The Township should implement procedures to ensure that all withholdings, along with the required employer share, are remitted to the appropriate agency prior to the due date.

Payroll Cash Disbursements (Continued)

3. For the pay periods ended May 31, 2013 and July 31, 2012, we recomputed the allocation of the Fiscal Officer's and Boards' salaries to the General, Gasoline Tax and Road and Bridge Funds per the Employee Detail Adjustment Report. We found that payroll was not properly allocated to the funds for the pay periods reviewed, based upon the payroll certifications signed by the Trustees and Fiscal Officer. Given these errors, we expanded our review to include all pay periods during 2012 and 2013. We also expanded our review to include the allocation of all health insurance reimbursements to the elected officials that occurred during 2012 and 2013.

To be paid on a salary basis in equal monthly installments, the board of trustees must unanimously pass a resolution to allow it. To be paid from any funds other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund (ORC 505.24(C)). 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. A sample certification is attached to AOS bulletin 2011-07. If 100% of the compensation of the township trustee is to be paid from the general fund, no certification is required.

Fiscal officers compensated from funds other than the general fund must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. They 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. A sample certification is attached to AOS bulletin 2011-07. If 100% of the compensation of the township fiscal officer is to be paid from the general fund, no certification is required.

The Township officials prepared monthly, signed certifications for 2012 and 2013; however, the funds charged for the payment of salary and reimbursement of officials' health insurance premiums did not agree to the fund allocations on the signed certifications. Based on the signed certifications, we recalculated the fund allocations and determined that the fund balances were misstated by cumulative amounts as follows at December 31, 2013:

- General Fund was understated by \$2,623
- Road & Bridge Fund was overstated by \$2,901
- Gasoline Tax Fund was understated by \$3,730
- Motor Vehicle License Tax Fund was overstated by \$3,452

We brought this to the Township's attention and the Township's accounting system was adjusted to correct these fund balance misstatements.

The Township should implement procedures to ensure that the funds charged to pay for salaries and health insurance reimbursements agree to the fund allocation that is documented on the signed payroll certifications.

4. For the pay periods described in the preceding step, we traced the Fiscal Officer's and Boards' salary for time or services performed to supporting certifications the Revised Code requires. Exceptions related to the allocation of salary are described in step 3 above.

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. Insurance reimbursements made were in compliance with ORC 505.60 and 505.601

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 check in which the check number, payee name and amount recorded on the returned, canceled check did not agree with the check number, payee and amount recorded in the Payment Register Detail Report. Because we did not test all checks for 2013 and 2012, our report provides no assurance whether or not other similar errors occurred. The Township should implement procedures to ensure that all information on each issued check agrees to the information recorded in the Payment Register Detail Report.
 - 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 eleven 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, Gasoline Tax and Fire District funds for the years ended December 31, 2013 and 2012. The amounts on the *Amended Official Certificate of Estimated Resources* did not agree to the amounts recorded in the accounting system. The 2012 Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$116,014, Gasoline Tax Fund of \$86,115, and Fire District Fund of \$49,520. However, the final 2012 *Amended Official Certificate of Estimated Resources* reflected \$79,219, \$104,161, and \$82,534, respectively. The 2013 Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$63,650, Gasoline Tax Fund of \$86,128, and Fire District Fund of \$45,870. However, the final 2013 *Amended Official Certificate of Estimated Resources* reflected \$129,340, \$87,449, and \$87,872, 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.

Compliance – Budgetary (Continued)

2. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General, Gasoline Tax and Fire District 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 Fund, Gasoline Tax Fund and Fire District Fund. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report except for the General Fund in 2013. The 2013 Appropriation Status Report for the General Fund recorded an amount of \$167,972; however, the 2013 Appropriation Resolution reflected \$162,805 for the General Fund. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts on the approved appropriations to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
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, Gasoline Tax and Fire District funds for the years ended December 31, 2013 and 2012. 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, 2013 and 2012 for the General, Gasoline Tax and Fire District 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 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 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.
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 funds 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

May 16, 2014

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BUTLER TOWNSHIP

DARKE 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
JUNE 12, 2014**