



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Florence Township
Erie County
11011 Chapel Street
P.O. Box 81
Birmingham, Ohio 44816-0081

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Florence 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, 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to provide attest services to the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

Cash

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 Fund Status Report to the December 31, 2008 balances in the prior year audited statements. We found no exceptions.
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 Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2010 bank account balance with the Township's financial institution. We found no exceptions.

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2010 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. 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.

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 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 the proper number of tax receipts for 2010 and 2009:
 - a. Two personal property tax receipts
 - b. Two real estate tax receipts

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

3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2010 and five from 2009. We also selected five receipts from the Erie County Auditor Confirmations (County Confirmation) from 2010 and five from 2009.
 - a. We compared the amount from the DTL and County Confirmation 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 noted two exceptions. In 2009 the Road and Bridge, Fire Levy and Fire Equipment funds' portions of the 10% Rollbacks / Homestead Exemptions / 2.5% Reductions in the amounts of \$10,616, \$4,632, and \$5,750, respectively, were incorrectly allocated to the General fund. In 2010 the Road and Bridge, Fire Levy and Fire Equipment funds' portions of the 10% Rollbacks / Homestead Exemptions / 2.5% Reductions in the amounts of \$10,933, \$4,671, and \$5,806, respectively, were incorrectly allocated to the General fund. **Ohio Revised Code, § 5705.10(D)**, states in part all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose. The allocation of homestead/rollback receipts should follow the allocation used for general property tax monies. The Fiscal Officer recorded an adjustment on July 15, 2011, in the Township's financial records reimbursing the Road and Bridge, Fire Levy, and Fire Equipment funds' in the amount of \$21,549, \$9,303, and \$11,556, respectively. Because we did not test fund allocation for all receipts, our report provides no assurance whether or not additional similar errors occurred.

- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
- 4. We confirmed the amounts paid from Brownhelm and Henrietta Townships to the Township during 2010 and 2009 with the Townships. We confirmed the amount paid from the Ohio Public Works Commission to the Township during 2010 with the Commission. We confirmed the amount paid from the Department of Homeland Security to the Township during 2009 with the Department. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper fund. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

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

Issue	Principal outstanding as of December 31, 2008:
Pierce Fire Truck Lease	\$ 263,848
Township Office Renovations Loan	\$ 112,248

- 2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. All debt noted agreed to the summary we used in step 3.
- 3. We obtained a summary of lease, loan, and note debt activity for 2010 and 2009 and agreed principal and interest payments from the related debt amortization schedules to General and Fire Equipment 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. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the General fund per the Receipt Register Report. The amounts agreed.
- 5. For new debt issued during 2009, we inspected the debt legislation, noting the Township must use the proceeds to purchase a road truck. We scanned the Payment Register Detail Report and noted the Township purchased a road truck in April of 2010.

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 Payroll Register Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Register Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.

- b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the General Employee Information Report, minute record, or as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files, minute record, and General Employee Information Reports was consistent with the information used to compute gross and net pay related to this check:
- a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State and Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above.

3. 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:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes and Medicare	January 31, 2011	December 31, 2010	\$ 1,629	\$ 1,629
State income taxes	January 15, 2011	December 31, 2010	311	311
School district income tax	January 18, 2011	December 31, 2010	51	51
OPERS retirement	January 30, 2011	December 31, 2010	2,764	2,764

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2010 and ten from the year ended December 31, 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 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 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 Certificate of the Total Amount From All Sources Available For Expenditures and Balances*, required by Ohio Rev. Code, Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Road and Bridge and Fire Equipment funds for the years ended December 31, 2010 and 2009. The amounts on the *Certificate* did not agree to the amounts recorded in the accounting system. For the year ended December 31, 2010, the Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Road and Bridge, and Fire Equipment funds of \$255,391, \$100,651, and \$65,747, respectively, while the final *Amended Official Certificate of Estimated Resources* reflected estimated receipts for the General, Road and Bridge, and Fire Equipment funds of \$265,462, \$99,834, and \$71,681, respectively. For the year ended December 31, 2009, the Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Road and Bridge, and Fire Equipment funds of \$269,999, \$100,651, and \$107,001, respectively, while the final *Amended Official Certificate of Estimated Resources* reflected estimated receipts for the General, Road and Bridge, and Fire Equipment funds of \$304,133, \$97,700, and \$69,275, 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, Road and Bridge and Fire Equipment 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 2010 and 2009 for the following funds: General, Road and Bridge and Fire Equipment. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report, except for the General fund. In 2010 the Appropriation Status Report recorded total appropriations for the General fund of \$345,830 while the appropriations as authorized by the Trustees were \$323,375 resulting in a variance of \$22,455. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts authorized by the Trustees 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, Section 5705.39, prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Road and Bridge and Fire Equipment 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, Road and Bridge and Fire Equipment fund, 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 the years ended December 31, 2010 and 2009. We also inquired of management regarding whether the Township received new restricted receipts. The Township established the Ohio Public Works Commission Issue II fund during 2010 to account for Issue II project receipts and disbursements, in compliance with Section 5705.09
7. We scanned the 2010 and 2009 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 – Contracts and Expenditures

1. We inquired of management and scanned the Payment Register Detail report 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 two maintenance and repair of roads contracts exceeding \$45,000, subject to Ohio Rev. Code, Section 5575.01. For these projects, we noted the Board advertised the projects in a local newspaper, and selected the lowest responsible bidder.

2. We inquired of management and scanned the Payment Register Detail Report 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.
3. For the road maintenance and repair projects described in step 1 above, we read the contracts and noted that they required the contractors to pay prevailing wages to their employees as required by Ohio Rev. Code Sections 4115.04 and 4115.05. The contracts included the Ohio Department of Commerce's schedule of prevailing rates, and also required the contractor to incorporate the prevailing wage requirements into its subcontracts.

Officials' Response:

The Fiscal Officer will review County Auditor Statement of Semiannual Apportionment of Taxes to ensure Homestead and Rollback receipts are properly allocated.

The Fiscal Officer will review the Revenue Status Reports to ensure estimated receipts are properly posted to the accounting system.

The Fiscal Officer will review the Appropriation Status Reports to ensure only authorized appropriations are posted to the accounting system.

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

August 9, 2011

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FLORENCE 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
AUGUST 23, 2011**