



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

McArthur Township
Logan County
4758 County Road 91
Bellefontaine, Ohio 43311

We have performed the procedures enumerated below, with which the Board of Trustees and the management of McArthur 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, 2016 and 2015, 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, 2016 and December 31, 2015 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2015 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2014 balances in the prior year audited statements. The January 1, 2015 beginning balances for the General, Gasoline, Cemetery Bequest/Endowment, and Private Purpose Trust funds in the Fund Ledger Report did not agree to the December 31, 2014 prior year audited statements as there were prior audit adjustments made. The amounts did agree to the prior year audited statements when accounting for the audit adjustments; therefore we found no exceptions. We also agreed the January 1, 2016 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2015 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, 2016 and 2015 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2016 and 2015 bank account balances with the Township's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2016 and 2015 bank reconciliation. The amounts agreed in 2016; however one account in 2015 had a variance of \$90.52 between the confirmation and the bank reconciliation amount.

Cash (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2016 and 2015 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement(s). We found no exceptions.
 - b. We traced the amounts and dates to the check register/payment listing, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We selected the all of the reconciling credits (such as deposits in transit) from the December 31, 2016 and 2015 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 Receipt Listing Report. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.

Property Taxes and Intergovernmental Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2016 and one from 2015:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper fund(s) 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 Revenue Ledger Report to determine whether it included two real estate tax receipts for 2016 and 2015. We noted the Revenue Ledger 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 2016 and all five from 2015. We also selected five receipts from the County Auditor's Vendor Expense Report from 2016 and five from 2015.
 - a. We compared the amount from the above report(s) to the amount recorded in the Revenue Ledger Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper fund(s). We found one exception in 2016. The rollback reimbursement from the state was posted entirely to the General Fund, in the amount of \$79.44; however it should have been posted to the General, Road and Bridge, and Fire District funds based on the allocation of the levies. The correct allocation should have been General \$39.78, Road and Bridge \$19.84, and Fire District \$19.82. The Township should review and properly post receipts to the correct funds.
 - 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, 2016 and 10 over-the-counter cash receipts from the year ended 2015 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Revenue Ledger Report. The amounts agreed.
- b. Amount charged complied with rates in force during the period. We found no exceptions.
- c. Receipt was posted to the proper fund(s), and was recorded in the proper year. We found no exceptions.

Debt

- 1. The prior audit documentation disclosed no debt outstanding as of December 31, 2014.
- 2. We inquired of management, and scanned the Receipt Listing Report and Payment Register Detail Report for evidence of debt issued during 2016 or 2015 or debt payment activity during 2016 or 2015.

Payroll Cash Disbursements

- 1. We haphazardly selected one payroll check for five employees from 2016 and one payroll check for five employees from 2015 from the Wage Withholding Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Wage Withholding 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 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.
- 2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2016 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 2016. 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, for employees not enrolled in pension system)	January 31, 2017	November 10, 2016 December 6, 2016 January 11, 2017	\$2,961.91	\$2,961.91
State income taxes	January 31, 2017	January 16, 2017	\$469.46	\$469.46
Local income tax	January 31, 2017	December 31, 2016	\$14.16	\$14.16
OPERS retirement	January 30, 2017	November 15, 2016 December 15, 2016 January 17, 2017	\$5,076.98	\$5,076.98

Payroll Cash Disbursements (Continued)

3. We inquired of management and scanned the Wage Base Detail Report for the years ended December 31, 2016 and 2015 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. We noted no such reimbursements for year ended December 31, 2016. Insurance reimbursements made were in compliance with ORC 505.60 and 505.601 and federal regulations for year ended December 31, 2015.

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2016 and ten from the year ended 2015 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 two 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, Road and Bridge and Cemetery funds for the years ended December 31, 2016 and 2015. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the Road and Bridge Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Road and Bridge fund of \$41,600 for 2015. However, the final *Amended Official Certificate of Estimated Resources* reflected \$41,300. 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 2016 and 2015 to determine whether, for the General, Road and Bridge and Cemetery 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 2016 and 2015 for the following funds: General, Road and Bridge, and Cemetery Funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.

Compliance – Budgetary (Continued)

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, Road and Bridge and Cemetery funds for the years ended December 31, 2016 and 2015. 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, 2016 and 2015 for the General, Road and Bridge and Cemetery 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 Revenue Ledger Report for evidence of new restricted receipts requiring a new fund during December 31, 2016 and 2015. We also inquired of management regarding whether the Township received new restricted receipts. The Township established the Private Purpose Trust fund during 2015 to segregate bequest receipts and disbursements, in compliance with Section 5705.09.
7. We scanned the 2016 and 2015 Revenue Ledger Reports and Appropriation Ledger Reports for evidence of interfund transfers exceeding \$100 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 Fund Activity Report for the years ended December 31, 2016 and 2015 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 Appropriation Ledger Report for the years ended December 31, 2016 and 2015 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 formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed AFDRS to verify the Township filed their financial information within the allotted timeframe for the years ended December 31, 2016 and 2015. No exceptions noted.
2. We inquired of the fiscal officer and/or scanned 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 required training has not been met; however the Fiscal Officer has until 2020 to complete the training.

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

April 24, 2017



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MCARTHUR TOWNSHIP

LOGAN 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
MAY 9, 2017