



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Salem Township
Warren County
PO Box 171
Morrow, OH 45152

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Salem Township, Warren County, Ohio (the Township), on the receipts, disbursements and balances recorded in the Township's cash basis accounting records for the years ended December 31, 2016 and 2015, and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2016 and 2015, and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township. 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 recalculated 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 Journal to the December 31, 2014 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2016 beginning fund balances recorded in the Fund Journal to the December 31, 2015 balances in the Fund Status 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 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 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2016 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. There were no exceptions.

6. We inspected investments held at December 31, 2016 and December 31, 2015 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 haphazardly 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 Cash Journal. We also traced the advance noted on the Statement to the Cash Journal. The amounts agreed.
 - b. We inspected the Cash Journal to confirm 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 inspected the Cash Journal to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Register Report to determine whether it included two real estate tax receipts for 2016 and 2015 plus one advance in 2015. The Receipt Register Report included the proper number of tax receipts for each year.
3. We haphazardly selected five receipts from the State Distribution Transaction Lists (DTL) from 2016 and five from 2015. We also haphazardly selected five receipts from the County Auditor's Portal from 2016 and five from 2015.
 - a. We compared the amount from the above reports to the amount recorded in the Cash Journal. The amounts agreed.
 - b. We inspected the Cash Journal to determine that these receipts were allocated to the proper funds. We found no exceptions.
 - c. We inspected the Cash Journal to determine whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior audit documentation, we observed the following bonds and notes were outstanding as of December 31, 2014. These amounts agreed to the Township's January 1, 2015 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2014:
Fire Truck Acquisition Notes	\$ 99,000
Fire Station Improvement Bonds	\$1,860,000

2. We inquired of management, and inspected the Cash Journal for evidence of debt issued during 2016 or 2015 or debt payment activity during 2016 or 2015. All debt agreed to the summary we used in step 3.

3. We obtained a summary of bonded and note debt activity for 2016 and 2015 and agreed principal and interest payments from the related debt amortization schedules to general (bond) (note) retirement fund payments reported in the Cash Journal. 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 (bond) (note) retirement fund per the Cash Journal. The amounts agreed. The Township properly recorded the proceeds in a bond fund as required by Ohio Rev. Code Section 5705.09(E).

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 time sheet summary report and:
 - a. We compared the hours and pay rate, or salary recorded in the time sheet summary report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We inspected the fund and account code(s) to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' personnel files. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2016 to confirm 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 observed 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	December 9, 2016 December 23, 2016 December 29, 2016	\$8,261.40	\$3,946.48 \$3,549.86 <u>\$ 765.06</u> \$8,261.40
State income taxes	January 15, 2017	December 30, 2016	\$1,092.00	\$1,092.00
Local income tax – Clarksville (4 th quarter)	January 15, 2017	January 6, 2017	\$109.46	\$109.46
Local income tax – Morrow (4 th quarter)	January 15, 2017	December 21, 2016	\$100.34	\$100.34
OPERS retirement	January 30, 2017	January 10, 2017	\$3,757.03	\$3,757.03
OP&F retirement	January 31, 2017	January 10, 2017	\$9,375.79	\$9,375.79

3. For the pay periods ended October 27, 2015 and July 26, 2016, we recomputed the allocation of the Board's salaries to the General, Road and Bridge, and Gasoline Tax Funds per the time sheet summary reports. We found no exceptions.
4. For the pay periods described in the preceding step, we traced the Board's salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.

5. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the time sheet summary report:
 - a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Township's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Cash Journal 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 Cash Journal 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 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 Receipt Account Status Report for the General, Road & Bridge, and Fire District 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 General and Fire District Funds. The Receipt Account Status Report recorded budgeted (i.e. certified) resources for the General and Fire District funds of \$201,112 and \$910,108, respectively, for 2015. However, the final *Amended Official Certificate of Estimated Resources* reflected \$176,237 and \$888,500, respectively. The Receipt Account Status Report recorded budgeted (i.e. certified) resources for the General and Fire District funds of \$167,736 and \$926,953, respectively, for 2016. However, the final *Amended Official Certificate of Estimated Resources* reflected \$164,627 and \$926,426, respectively. The fiscal officer should periodically compare amounts recorded in the Receipt Account 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 inspected the appropriation measures adopted for 2016 and 2015 to determine whether, for the General, Road & Bridge, 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 2016 and 2015 for the following funds: General; Road & Bridge; and Fire District. 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 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Road & Bridge, and Fire District funds for the years ended December 31, 2016 and 2015. General Fund appropriations for 2015 exceeded certified resources by \$7,063, 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, 2016 and 2015 for the General, Road & Bridge, and Fire District funds, as recorded in the Appropriation Status Report. There were no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Receipt Register 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. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2016 and 2015 Fund Journals for evidence of interfund transfers which Ohio Rev. Code Sections 5705.14 - .16 restrict. The Township transferred \$40,652 from the Fire District Fund to the General Fund in 2015. Ohio Rev. Code Sections 5705.14 - .16 do not permit this transfer. The transfers made in 2015 were to partially repay (with interest) an advance made in 2012 from the General Fund to the Fire District Fund in the amount of \$212,772. In 2012 we issued a material weakness as Finding 2012-01 for the manner in which this interfund advance was recorded. An audit adjustment was made in 2012 to classify the transaction as an advance from the General Fund to the Fire District Fund in accordance with the wording of the Board of Trustees minutes. Therefore, the repayment of this advance of \$40,652 in 2015 should have been recorded as an advance out of the Fire District Fund an advance into the General Fund, without interest. The Township also repaid a total of \$40,385 of this advance during 2014, 2013, and 2012. The Township should monitor the remaining balance of the advance at December 31, 2016 of \$131,735, and classify future repayments as advance activity. Also, as described in the Transfers/Advances section of the Ohio Township Manual: If, after an advance is made, the Township determines that the transaction should, in fact, be treated as a transfer, the following procedures should be followed:
 - The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas;
 - The transfer should be formally recorded on the records of the subdivision; and
 - The entries recording the cash advance should be reversed to, in effect, repay the advance with the proceeds of the transfer.
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Township did not establish these reserves.

10. We inspected the Fund Status Report for the years ended December 31, 2016 and 2015 for negative cash fund balances. 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. No fund had a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and inspected the check register 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

Ohio Rev. Code Section 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. We confirmed the Township filed their complete financial statements, as defined by AOS Bulletin 2016-007, within the allotted timeframe for the years ended December 31, 2016 and 2015 in the Hinkle system. There were no exceptions.

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*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is for the use of the Township to assist in evaluating its 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 and is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 8, 2017



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SALEM TOWNSHIP

WARREN 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
SEPTEMBER 26, 2017**