



Dave Yost • Auditor of State

THORN TOWNSHIP
PERRY COUNTY
DECEMBER 31, 2016 AND 2015

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Thorn Township
Perry County
P.O. Box 419
Thornville, Ohio 43076

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Thorn Township, Perry County, Ohio (the Township), on the receipts, disbursements and balances recorded in the Townships 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 Ledger Report to the December 31, 2014 balances documentation in the prior year Agreed-Upon Procedures working papers. 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 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. The financial institution confirmed a balance for one certificate of deposit at \$71 more than documented on the bank reconciliation due to interest accrued.

Cash and Investments (Continued)

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 §§ 135.13, 135.14 or 135.144. We found no exceptions
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code § 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 Receipt Export Report. The amounts agreed.
 - b. We inspected the Receipt Export Report to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code §§ 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We inspected the Receipt Export Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Export Report to determine whether it included two real estate tax receipts for 2016 and 2015. The Receipt Export 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 all three from 2015. We also haphazardly selected five receipts from the Perry County Appropriation History Report from 2016 and five from 2015
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Export Report. The amounts agreed.
 - b. We inspected the Receipt Export Report to determine that these receipts were allocated to the proper funds. We found no exceptions.
 - c. We inspected the Receipts Export Report to determine 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:

- a. Agreed the receipt amount to the amount recorded in the Receipt Export Report. The amounts agreed.
- b. Confirmed the amounts charged complied with rates in force during the period when applicable. We found no exceptions.
- c. Inspected the Receipt Export Report to determine the receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

Debt

1. The prior agreed-upon procedures documentation disclosed no debt outstanding as of December 31, 2014.
2. We inquired of management, and inspected the Receipt Export Report and Payment Export Report 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. However, the Township obtained a collateralized bank loan during 2015 and in 2016 which were not an allowable debt type for townships per Ohio Rev. Code Chapter 133.
3. We obtained a summary of note debt activity for 2016 and 2015 and compared principal and interest payments from the related debt amortization schedules to Thorn Township EMS Fund and Fire District Fund payments reported in the Payment Export Report. For 2016, the amounts agreed. For 2015, the Township posted debt payments totaling \$50,000 as capital outlay rather than \$49,724 as principal payments and \$276 as interest and fiscal charges. This did not affect fund balance. 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 2016, we compared the amount of debt proceeds from the debt documents to amounts recorded in the Thorn Township EMS Fund per the Receipt Export Report. The Township did not record the total loan proceeds or capital outlay of \$162,550 to purchase the ambulance. For 2015, we compared the amount of debt proceeds from the debt documents to amounts recorded in the Fire District Loan Fund per the Receipt Export Report. Only \$19,635 of the \$200,000 total loan proceeds was recorded in the Receipt Export Report. The remaining proceeds of \$180,365 and the capital outlay expenditure in the same amount were not recorded in the accounting system or annual financial report.
5. For new debt issued during 2016, we inspected the debt legislation, which stated the Township must use the proceeds to purchase an ambulance. As noted above, the expenditure relating to the financed portion of the ambulance was not recorded in the accounting system per the Payment Export Report; however, a review of documentation on file supported the Township purchased an ambulance in August 2016. For new debt issued during 2015, we inspected the debt legislation, which stated the Township must use the proceeds to purchase a pumper truck. As noted above, the expenditure relating to the financed portion of the pumper truck was not recorded in the accounting system per the Payment Export Report; however, review of documentation on file supported the Township purchased a pumper truck in February of 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 Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We inspected the fund and account codes to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the timecard or as required by statute. We also confirmed the payment was posted to the proper year. We found no exceptions.

Payroll Cash Disbursements (Continued)

2. For any new employees selected in step 1 we inspected the employees' personnel files and minute record for the following information and compared it 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 & 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 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)	01/31/2017	12/31/2016	\$3,800	\$3,800
State income taxes	01/15/2017	12/31/2016	\$382	\$382
OPERS retirement	01/30/2017	12/31/2016	\$2,635	\$2,635

However, the Township did not enroll several fire department employees in the Ohio Public Employee's Retirement System (OPERS) but, rather, allowed them to contribute to Social Security instead. Ohio Rev Code § 145.03(A) provides, in part, that except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues.

If there is a period during which contributions are not withheld and sent to OPERS, and membership is then determined to be required, the employer is liable for the employee and employer contributions, plus interest if the unreported service also occurred in a previous calendar year.

The Township management should require the employees to enroll in OPERS and commence the required contributions. Management should also contact OPERS to obtain guidance on handing the required contributions due subsequent to the enrollment date.

4. We inquired of management and inspected the Wage 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. Insurance reimbursements made were in compliance with Ohio Rev. Code §§ 505.60 and 505.601 and federal regulations.

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Export 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 Export Report and to the names and amounts on the supporting invoices. We found one check in each year tested where the actual check number varied from the check number recorded in the Payment Export 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 § 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 § 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Road and Bridge, and Fire District Funds for the years ended December 31, 2016 and 2015. The Revenue Status Report reported budgeted (i.e. certified) resources for the General, Road and Bridge, and Fire Funds of \$133,350, \$140,000, \$240,500 for 2016, respectively. However, the final Amended Official Certificate of Estimated Resources reported \$138,030, \$147,800, and \$254,900, respectively. For 2015, the Revenue Status Report reported budgeted (i.e. certified) resources for the General, Road and Bridge, and Fire Funds of \$134,700, \$140,000, and \$247,500, respectively. However, the final Amended Official Certificate of Estimated Resources reported \$143,070, \$143,860, and \$242,760, 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 inspected the appropriation measures adopted for 2016 and 2015 to determine whether, for the General, Road and 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 § 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code §§ 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, Fire District Funds. For the year ended December 31, 2016, the Appropriation Status Report reported appropriations for the General, Road and Bridge, and Fire Funds of \$281,940, \$170,635, \$428,492 for 2016, respectively. However, the final approved appropriations resolution reported appropriations of \$355,328, \$138,435 and \$244,550, respectively. For the year ended December 31, 2015, the amount per the appropriation resolutions agreed to the amount recorded in the Appropriation Status Report for the Road and Bridge Fund. However, the Appropriation Status Report reported appropriations for the General and Fire Funds of \$502,436 and \$301,350, respectively, but the final approved appropriations resolution reported appropriations of \$401,410 and \$236,900, respectively.

Compliance – Budgetary (Continued)

4. Ohio Rev. Code §§ 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, Road and Bridge and Fire District Funds for the years ended December 31, 2016 and 2015. General Fund appropriations for 2016 exceeded certified resources by \$11,073, contrary to Ohio Rev. Code § 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 § 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 Fire District Funds, as recorded in the Appropriation Status Report. Road and Bridge Fund and Fire District Fund expenditures for 2016 exceeded total appropriations by \$24,306 and \$145,205, respectively, contrary to Ohio Rev. Code § 5705.41(B). General Fund expenditures for 2015 exceeded total appropriations by \$69,966, contrary to Ohio Rev. Code § 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
6. Ohio Rev. Code § 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. The Township established an Unclaimed Monies Fund during 2015 to segregate unclaimed monies in compliance with § 5705.09 and 2 CFR Part 176.210. We observed that the Trustees established the Unclaimed Monies Fund during 2015; however, no activity in this fund was posted.
7. For funds existing in prior years, inspect 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 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers which Ohio Rev. Code §§ 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which § 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
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 § 5705.13. The Township did not establish these reserves.
10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2016 and 2015 for negative cash fund balances. Ohio Rev. Code § 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 funds had a negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Payment Export 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 § 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 § 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. The Township did not file their complete financial statements as defined by AOS Bulletin 2015-007 until July, 19, 2017 and January 11, 2016 for 2016 and 2015, respectively, which was not within the allotted timeframe.

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 are not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 7, 2017

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THORN TOWNSHIP

PERRY 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 28, 2017