
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

MILTON TOWNSHIP

WAYNE COUNTY, OHIO

AGREED – UPON PROCEDURES

For the Years Ended

December 31, 2017 and 2016

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Dave Yost • Auditor of State

Board of Trustees
Milton Township
PO Box 205
Sterling, Ohio 44276

We have reviewed the *Independent Accountants' Report on Applying Agreed-upon Procedures* of Milton Township, Wayne County, prepared by Alger & Associates, Inc., for the period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Milton Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 15, 2018

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Milton Township
Wayne County
P.O. Box 205
13845 Kauffman Ave.
Sterling, Ohio 44276

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Milton Township (the Township) and the Auditor of State, on the receipts, disbursements and balances recorded in the Townships cash basis accounting records for the years ended December 31, 2017 and 2016 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, 2017 and 2016 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, 2017 and December 31, 2016 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2016 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2015 balances in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2017 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2016 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, 2017 and 2016 fund cash balances reported in the Fund Status Report. As of December 31, 2017 the bank reconciliation reflects an "Other Adjusting Factor" of \$2,424.01. This adjusting factor is due to an unresolved OPERS adjustment which is still outstanding as of March 8, 2018. We also noted a difference of \$804.53 between the bank balances and the system balance consisting of -\$1,738.39 in the primary account and \$933.86 in the Wayne Account. Also in scanning the reconciliations for 2017 we noted from July thru December 2017 all bank accounts were not reconciled until March 8, 2018 or up to 9 months later. All reconciliations had varying amounts for OPERS as adjusting factors.

In scanning the payment journal for 2017 we noted \$9,016 in payments with transactions dates posted as of January 28, 2018 and one transaction posted March 8, 2018. Because the Fiscal Officer does not post transactions timely and reconcile on a monthly basis the Board may not have accurate financial information in order to make informed decisions. Also because the Fiscal Officer does not reconcile on a timely basis and posted transactions which occurred in 2018 on 2017 ledgers the Township may not be properly reconciled. These transactions relate to payroll withholding for December 2017.

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We recommend the Fiscal Officer reconcile on a monthly basis. All transactions for that month should be posted timely. Any transactions occurring in the following year should be posted in the month and year they occur. The Fiscal Officer should review the 2018 transactions posted on the 2017 payment ledger and make the appropriate adjustments in order to properly reflect the financial position for 2017. All 2018 transactions should be adjusted and reflected on the books for 2018. The Board should review all reconciliations on a monthly basis and any adjusting factors should be documented with support. The Fiscal Officer should contact OPERS and resolve any outstanding payments as these late payments could result in unnecessary penalties and interest against the Township.

4. We confirmed the December 31, 2017 and 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, 2017 and December 31, 2016 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2017 and 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 selected five reconciling credits (such as deposits in transit) haphazardly from the December 31, 2017 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 Receipts Register. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We traced interbank account transfers occurring in December of 2017 to the accounting records and bank statements to determine if they were properly recorded. We found no exceptions.
8. We inspected investments held at December 31, 2017 and December 31, 2016 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 2017 and one from 2016:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We inspected the Receipt Register Report 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 Receipt Register 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 Register Report to determine whether it included two real estate tax receipts for 2017 and 2016. 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 2017 and five from 2016. We also haphazardly selected five receipts from the County Auditor's DTLs from 2017 and five from 2016.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We inspected the Receipt Register Report to determine that these receipts were allocated to the proper funds. We noted one receipt for \$49,158 was classified as Miscellaneous revenue rather than Intergovernmental.
 - c. We inspected the Receipt Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior agreed-upon procedures documentation, we observed the following loan were outstanding as of December 31, 2015. These amounts agreed to the Townships January 1, 2016 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2015:
2014 Mack Dump Truck – Kansas State Bank	\$109,277

2. We inquired of management, and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of the loan debt activity for 2017 and 2016 and agreed principal and interest payments from the related debt amortization schedules to the Road & Bridge 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. The Township made the payments from Capital Outlay rather than Principal Retirement and Interest Charges. We found no other exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2017 and one payroll check for five employees from 2016 from the Wages and Overtime Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Wages and Overtime Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary. We found the Fiscal Officer was underpaid \$212.05 and \$891 in 2016 and 2017 respectively for a total of \$1,103.05. We also noted one Trustee was underpaid \$540 in 2017. We brought this to management's attention, and they will add this amount to a subsequent payment to this employee. Because we did not compare all timecards, our report provides no assurance whether or not other similar errors occurred.
 - 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 minute record and/or as required by statute. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in procedure 1 we inspected the employee files and minute records 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 any other deduction authorizations (deferred compensation, etc.)

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

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2017 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 2017. 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, 2018	January 30, 2018	\$1,337.94	\$1,337.94
State income taxes	January 15, 2018	January 30, 2018	\$628.75	\$628.75
School District income tax	January 30, 2018	January 30, 2018	\$298.25	\$298.25
OPERS retirement	January 30, 2018	January 30, 2018	\$2,639.76	\$2,639.76

According to the UAN system as of December 31, 2017, there is an outstanding balance of \$2,364.93, however, the bank reconciliation indicates an outstanding balance of \$2,424.01. The Township has an unreconciled amount which may be due to a OPERS payment not submitted as required by Ohio Rev. Code Sections 145.47 and 145.48 by January 31, 2018. The Auditor of State will notify OPERS of this matter.

4. For the pay periods ended January 28, 2017 and October 1, 2016, we recomputed the allocation of the Boards' salaries to the General and Road & Bridge Fund Employee Detail Adjustment Report. As a result the Township Trustees did not prepare the legislatively approved payroll certifications for the audit period.

Ohio Revised Code Section 505.24(C), sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-006. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the Trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation.

Trustees receiving compensation by annual salary must use certifications if paid from funds other than the General Fund: 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 fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund (Ohio Rev. Code § 505.24(D)). 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 2011-007. If 100% of the compensation of the township trustee is to be paid to from the general fund, no certification is required.

During 2016, the Township paid \$15,689 improperly from the Road & Bridge Fund for Trustees' salaries and \$15,689 for 2017 for a total of \$31,378. Because the Trustees did not implement the requirements as noted above, this should have been paid from the General Fund. The Township made the appropriate adjustment.

We recommend the Township review Ohio Attorney General (OAG) Opinion 2004-006 as well as Ohio Revised Code Sections 505.24© and 505.24(D) and adopt formal procedures regarding signed certifications of payroll by each Trustee for each monthly pay period. If paid from the General Fund, no certification is needed. Also the Township should adjust these funds to properly account for these transactions.

5. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2017 and 2016 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. No such reimbursements occurred.

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2017 and ten from the year ended 2016 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 three 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 inspect 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, 2017 and 2016. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the Fire District Fund for 2017 & 2016. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Fire District fund for 2017 and 2016 in the amount of \$216,800 and \$243,557.65 respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$226,900 and \$194,400 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 2017 and 2016 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 2017 and 2016 for the following funds: General, Gasoline Tax and Fire District. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report, except the Fire District Fund in 2017 and 2016, where the appropriation status report recorded \$375,360.00 and \$410,415.82 respectively and the appropriation measurer was \$397,167.37 and \$361,258.17 respectively. The Fiscal Officer should record in the accounting system the amounts authorized by the Trustees per the appropriation resolution.
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, 2017 and 2016. There were 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, 2017 and 2016 for the General, Gasoline Tax and Fire District fund, 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, 2017 and 2016. 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, 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 2017 and 2016 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 or Court of Common Pleas.
9. We inspected the Cash Summary by Fund Report for the years ended December 31, 2017 and 2016 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (l) 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 Register Detail Report for the years ended December 31, 2017 and 2016 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 within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refile complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Township's deadline where the initial filing was filed on time but incomplete. We confirmed the Township filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2017 and 2016 in the Hinkle system. Financial information for the year ended December 31, 2017 was filed on March 28, 2018 which was not within the allotted timeframe. Financial information for the year ended December 31, 2016 was filed on February 28, 2017 and did not include the notes to the financial statements as required until refiled on April 13, 2018.
2. We inspected 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. Fiscal Officer obtained the required training.

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 to provide assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2017 and 2016, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.

Alger and
Associates Inc

Digitally signed by Alger and
Associates Inc
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Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

June 12, 2018

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Dave Yost • Auditor of State

MILTON TOWNSHIP

WAYNE 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 28, 2018**