



Dave Yost • Auditor of State





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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Salem Township  
Ottawa County  
11650 West Portage River South Road, P.O. Box 417  
Oak Harbor, Ohio 43449-0417

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Salem Township, Ottawa 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, 2013 and 2012, 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 and Investments

1. We tested the mathematical accuracy of the December 31, 2013 and December 31, 2012 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2012 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2011 balances in the prior year documentation in the prior year agreed-upon procedures working papers. We found no exceptions. We also agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 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, 2013 and 2012 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2013 bank account balances with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2013 bank reconciliation without exception.

### **Cash and Investments (Continued)**

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 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. We noted no exceptions.
6. We tested investments held at December 31, 2013 and December 31, 2012 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 and Intergovernmental Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2013 and one from 2012:
  - 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 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 Revenue Ledger Report to determine whether it included two real estate tax receipts for 2013 and 2012. We noted the Revenue Ledger Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2013 and five from 2012. We also selected five receipts from the Ottawa County Auditor Confirmation from 2013 and five from 2012.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. In 2013 the second half homestead and rollback settlement was posted net of administrative fees resulting in receipts and disbursements being understated in the General, Road and Bridge, and Cemetery funds in the amounts of \$29, \$79, and \$29, respectively. We recommend homestead and rollback settlements be posted at gross including administrative fees. Those fees should then, correspondingly, be posted as offsetting expenditures.
  - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
  - c. We determined whether the receipts were 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, 2011.
2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. We noted no new debt issuances, nor any debt payment activity during 2013 or 2012.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 from the Employee Detail Adjustment Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). The salaries of the Trustees and Fiscal Officer are established by Ohio Rev. Code 505.24 and Ohio Rev. Code 507.09, respectively, on the basis of the Township budget. In the context of these code sections Township budget represents the total certified resources included on the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances*. Because the Fiscal Officer did not file the *Certificate of the Total Amount From All Sources Available* with the County Auditor required by Ohio Rev. Code Section 5705.36(A)(1) the Township did not receive a *Certificate of the Total Amount From All Sources Available For Expenditures and Balances* for 2013 and 2012. It is this certificate upon which elected officials' salaries should be based. To ensure the officials' salaries were within the statutory limits, we used the unencumbered carryover balances plus actual receipts to calculate the amount of salaries due compared them to the amounts paid. We found no exceptions. The Fiscal Officer should file the required *Certificate of the Total Amount From All Sources Available* on or about the first day of each fiscal year and use the *Certificate of Estimated Resources* as a basis of calculating officials' salary.
  - 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 employees' personnel files and 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, 2013 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 2013. We noted the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes and Medicare	January 31, 2014	January 2, 2014	\$3,416	\$3,416
State income taxes	January 31, 2014	January 3, 2014	866	866
Local income tax	January 31, 2014	December 31, 2013	202	202
OPERS retirement	January 30, 2014	January 3, 2014	4,593	4,593

### Payroll Cash Disbursements (Continued)

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 to determine if Township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. We noted no such reimbursements.

### Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2013 and ten from the year ended December 31, 2012 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 were unable to compare the total estimated receipts from the *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, Gasoline Tax, and Road and Bridge funds for the years ended December 31, 2013 and 2012. The Fiscal Officer did not file the *Certificate of the Total Amount From All Sources Available* with the County Auditor required by Ohio Rev. Code Section 5705.36(A)(1) resulting in the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances* not being completed and certified by the Budget Commission. Therefore, for each fund tested the variance equaled the amount of revenues recorded in the Revenue Status Report each year. In 2013, this amounted to \$269,964, \$82,100, and \$178,050 in the General Fund, Gasoline Tax, and Road and Bridge Funds, respectively. In 2012, this amounted to \$142,360, \$80,150, and \$176,000 in the General Fund, Gasoline Tax, and Road and Bridge Funds, respectively. The Fiscal Officer should file the required *Certificate of the Total Amount From All Sources Available* on or about the first day of each fiscal year as required by this section.
2. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General, Gasoline Tax, and Road and Bridge 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 2013 and 2012 for the following funds: General, Gasoline Tax, and Road and Bridge. 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 were unable to compare total appropriations to total certified resources for the General, Gasoline Tax, and Road and Bridge funds for the years ended December 31, 2013 and 2012 because the Fiscal Officer did not file the *Certificate of the Total Amount From All Sources Available* with the County Auditor required by Ohio Rev. Code Section 5705.36(A)(1). This resulted in the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances* not being completed and certified by the Budget Commission. Therefore, for each fund tested the appropriations exceeded certified resources by the total amount of appropriations in each fund. In 2013, this amounted to \$679,261, \$136,376, \$394,282 in the General, Gasoline Tax, and Road and Bridge Fund, respectively. In 2012 this amounted to \$562,782, \$134,988, \$328,971 in the General, Gasoline Tax, and Road and Bridge Fund, respectively. 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, 2013 and 2012 for the General, Gasoline Tax, and Road and Bridge 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 Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2013 and 2012. We also inquired of management regarding whether the Township received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. We scanned the 2013 and 2012 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.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2013 and 2012 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. We noted no funds having a negative cash fund balance.

### **Compliance – Contracts and Expenditures**

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 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.

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, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 11, 2014



# Dave Yost • Auditor of State

**SALEM TOWNSHIP**

**OTTAWA 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  
JULY 8, 2014**