



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Brown Township
Miami County
P.O. Box 369
Conover, Ohio 45317

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Brown 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 and Investments

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 Status Report to the December 31, 2014 balances in the 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 Status Report 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 institution. 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. We noted no exceptions.

Cash and Investments (Continued)

6. We tested interbank account transfers occurring in December of 2016 and 2015 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
7. We tested 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 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 Receipt Detail 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 Receipt Detail Report to determine whether it included two real estate tax receipts for 2016 and 2015. We noted the Receipt Detail 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 four from 2015. We also selected five receipts from Miami County Auditor's Invoice List by GL Account report for Brown Township from 2016 and five from 2015.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Detail Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We identified that three homestead and rollback receipts were incorrectly posted entirely to the general fund rather than being allocated to funds in accordance with the applicable property tax settlement sheet. This resulted in fund balance errors for all of the applicable funds. At year-end 2016, the General Fund balance was overstated by \$16,027 and all other applicable fund balances were understated in the amounts of \$1,647 for the Fire 1.5 Mill Fund and Ambulance 1.5 Mill Fund, \$4,225 in the Fire 1 Mill Fund and Ambulance 1 Mill Fund, and \$4,283 in the Road and Bridge Fund. The Township's records were adjusted for these errors.
 - 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, 2014.
2. We inquired of management, and scanned the Receipt Detail Report and Payment Register Detail Report for evidence of debt issued during 2016 or 2015 or debt payment activity during 2016 or 2015. We noted no new debt issuances, nor any 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 Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Wage 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 codes to which the check was posted were reasonable based on the employees' duties as documented in the minute record and employees' personnel file. We also determined whether the payment was posted to the proper year. We found no exceptions related to the payment being posted to the proper year. See payroll step 4 below for description of exceptions related to the allocation of salary to funds other than the General Fund for the elected officials.

2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files was consistent with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Departments 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, except the retirement system enrollment forms were not maintained for four employees. However, the payroll register did disclose retirement withholdings for these employees. We recommend the Township maintain all documentation to support enrollment in the retirement system and deductions withheld.

3. 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	January 31, 2017	January 9, 2017	\$1,582.65	\$1,582.65
State income taxes	January 31, 2017	January 9, 2017	\$351.16	\$351.16
School income taxes	January 31, 2017	January 9, 2017	\$333.74	\$333.74
OPERS retirement	January 31, 2017	January 31, 2017	\$1,550.40	\$1,550.40

4. For the pay periods ended June 30, 2016 and June 30, 2015, we recomputed the allocation of the Fiscal Officer's and Trustees' salaries to the General, Gas Tax, Road and Bridge, and Cemetery Fund per the Wage Detail Report. We found that payroll for one trustee was not properly allocated to the applicable funds for the June 30, 2016 pay period, based on the payroll certification signed by the Trustee. Given the error, we expanded our review to include all periods during 2015 and 2016.

Payroll Cash Disbursements (Continued)

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 funds other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund (ORC 505.24(C)). If trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of 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 tog. 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 2011-07. If 100% of the compensation of the township trustee is to be paid from the general fund, no certification is required.

Fiscal officers compensated from funds other than the general fund must certify the percentage of time spent working on matters that are to be paid from funds other than the general fund. They 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 tog. Rather, all that is required is a statement detailing the percentage of time that the fiscal officer spent during that pay period providing services related to each fund to be charged. A sample certification is attached to AOS bulletin 2011-07. If 100% of the compensation of the Fiscal Officer is to be paid from the general fund, no certification is required.

The Township officials prepared monthly, signed certifications for 2015 and 2016; however, the funds charged for the payment of salary did not agree to the fund allocations on the signed certifications for 9 months during 2016 for one Trustee and 2 months during 2015 for the Fiscal Officer. Based on the signed certifications, we recalculated the fund allocations and determined that the fund balances were misstated by cumulative amounts as follows at December 31, 2016:

- Gasoline Tax Fund was overstated by \$1,882
- Road and Bridge Fund was understated by \$1,882

These errors were not material to either fund balance at December 31, 2016 and no adjustment to the accounting system was necessary.

The Township should implement procedures to ensure that the funds charged to pay for salaries agree to the fund allocation that is documented on the signed payroll certifications.

5. For the pay periods described in the preceding step, we traced the Fiscal Officer's and Trustees' salaries for time or services performed to supporting certifications the Revised Code requires. Exceptions related to the allocation of salary are described in step 4 above.
6. We inquired of management and scanned the Payment Register 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 ORC 505.60 and 505.601 and federal regulations.

Non-Payroll Cash Disbursements

1. 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.

Non-Payroll Cash Disbursements (Continued)

- 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.
- 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 seven 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 General and Road and Bridge Funds. For 2015, the Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$58,289 and the Road and Bridge Fund of \$24,613. However, the final *Amended Official Certificate of Estimated Resources* reflected \$57,984 for the General Fund and \$24,660 for the Road and Bridge Fund. For 2016, the Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$60,200 and the Road and Bridge Fund of \$24,613. However, the final *Amended Official Certificate of Estimated Resources* reflected \$59,172 for the General Fund and \$23,429 for the Road and Bridge Fund. The Township 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, Fire 1.5 Mill and Fire 1 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, Fire 1.5 Mill and Fire 1 Mill. 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 and Bridge, and Fire 1.5 Mill funds for the years ended December 31, 2016 and 2015. We noted no funds for which appropriations exceeded certified resources.

Compliance – Budgetary (Continued)

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 Fire 1.5 Mill 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 Detail 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 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 2016 and 2015 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, 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 Payment Register Detail 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 the HINKLE system to verify the Township filed their financial information within the allotted timeframe for the years ended December 31, 2016 and 2015. No exceptions noted.

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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BROWN TOWNSHIP

MIAMI 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**