



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Brown Township
Darke County
9875 State Route 49
Ansonia, Ohio 45303

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, 2015 and 2014, 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, 2015 and December 31, 2014 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2014 beginning fund balances recorded in the Cash Journal to the December 31, 2013 balances in the documentation in the prior year Agreed-Upon Procedures working papers. We found that the General Fund was understated in the amount of \$7,990 and the Gasoline Tax Fund was overstated in the amount of \$7,990. We brought this to the Township's attention and the Township's accounting system was adjusted to correct these fund balance misstatements. We also agreed the January 1, 2015 beginning fund balances recorded in the Cash Journal to the December 31, 2014 balances in the Cash Journal. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2015 and 2014 fund cash balances reported in the Cash Journal. The amounts agreed for December 31 2014; however, for December 31, 2015 the total per the bank reconciliation was \$140 less than the fund cash balances reported in the Cash Journal.
4. We confirmed the December 31, 2015 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, 2015 bank reconciliation without exception.

5. We verified the reconciling debit from the December 31, 2015 bank reconciliation. We noted that the item listed as outstanding on the December 31, 2015 bank reconciliation in the amount of \$140 was not recorded in the 2015 Cash Journal.
 - a. We traced the debit to the subsequent January bank statement. The check cleared the bank on January 8, 2016.
 - b. We traced the amount and date to the check register, to determine the debit was dated prior to December 31. We noted that the check was dated January 5, 2016, was recorded in the 2016 Cash Journal and should not have been listed as a reconciling item at December 31, 2015.
6. We tested investments held at December 31, 2015 and December 31, 2014 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 selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2015 and one from 2014:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipts Journal. 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 Receipts Journal to determine whether it included two real estate tax receipts for 2015 and 2014. We noted the Receipts Journal included the proper number of tax receipts for each year.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2015 and all from 2014. We also selected five receipts from the County Voucher Listing from 2015 and five from 2014.
 - a. We compared the amount from the above reports to the amount recorded in the Receipts Journal. During 2015 and 2014 we noted that Homestead and Rollback receipts received from the State were posted at the net amount rather than the gross amount. Fees in the amount of \$111 and \$103, respectively, were not posted to the Township's ledgers. Amounts received from the County agreed on the County Voucher Listing.
 - 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, 2013.
2. We inquired of management, and scanned the Receipts Journals and Appropriation Ledgers for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. We noted no new debt issuances or any debt payment activity during 2015 or 2014.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2015 and one payroll check for five employees from 2014 from the Payroll Record Ledgers and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Record Ledgers to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found that the elected officials (three Trustees and the Fiscal officer) were not paid based upon the Township's current budget according to the compensation chart for 2015 and 2014. Each of the Trustees and the Fiscal Officer were underpaid in the amount of \$43 and \$118 for the individual pay periods reviewed for each year. The elected officials were paid based on the budget level that was a step less than the Township's actual budget. If the elected officials choose to be paid less than the statutory amount, the Township Trustees should approve such an arrangement so that it is clearly documented and supported.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the Payroll Record Ledgers. We found no exceptions.
 - c. 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. We also determined whether the payment was posted to the proper year. We found no exceptions.

2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel file 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. 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 scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2015 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 2015. We noted 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, 2016 | January 13, 2016 | \$623.70 | \$623.70 |
| State income taxes | February 1, 2016 | January 13, 2016 | \$91.73 | \$91.73 |
| School income taxes | February 1, 2016 | January 13, 2016 | \$168.98 | \$168.98 |
| Local income tax | February 1, 2016 | January 13, 2016 | \$42.48 | \$42.48 |
| OPERS retirement | January 30, 2016 | January 13, 2016 | \$764.06 | \$764.06 |

4. For the pay period ended April 9, 2014 we recomputed the allocation of the Boards' salaries to the General Fund, Gasoline Tax Fund, and Road and Bridge Fund per the Appropriation Ledger.

We found no exceptions. For pay period ended July 8, 2015, we recomputed the allocation of the Fiscal Officer's and Boards' salaries to the General Fund, Gasoline Tax Fund, Motor Vehicle License Fund, and Road and Bridge Fund per the Appropriation Ledger. We found no exceptions.

5. For the pay periods described in the preceding step, we traced the Fiscal Officer's and Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.
6. We scanned the Appropriation Ledger for the years ended December 31, 2015 and 2014 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. We noted that insurance reimbursements were made. We found that insurance reimbursements for one employee were not properly allocated to the funds based upon the signed payroll certification forms. We brought this to the Township's attention and the Township's accounting system was adjusted to correct these fund balance misstatements [General Fund balance was increased by \$1,131; Road & Bridge Fund balance was decreased by \$1,131]. Insurance reimbursements made were in compliance with ORC 505.60 and 505.601 and federal regulations.

Non-Payroll Cash Disbursements

1. From the Appropriation Ledger, we re-footed checks recorded as General Fund disbursements for *general government*, and checks recorded as *public works* in the Gasoline Tax Fund for 2015. We found no exceptions.
2. We haphazardly selected ten disbursements from the Cash Journal for the year ended December 31, 2015 and ten from the year ended 2014 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. We verified 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. For one disbursement in 2014 we noted the name of the payee on the canceled check did not agree to the name of the payee recorded in the Cash Journal and the name on the supporting invoice.
 - c. We verified the payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. For one disbursement in 2015 and one disbursement in 2014 we noted that the fund used was not consistent with the restricted purpose for which the fund's cash can be used. As a result, an adjustment was posted to the accounting system to increase the General Fund balance by \$7,788 and decrease the Road & Bridge Fund balance by \$7,788.
 - 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 Receipts Journal for the General, Gasoline Tax and Fire Levy funds for the years ended December 31, 2015 and 2014. The amounts on the *Amended Certificate* agreed to the amount recorded in the Receipts Journal, except for the Gasoline Tax Fund in 2014. The Receipts Journal recorded budgeted (i.e. certified) resources for the Gasoline Tax fund of \$9,050 for 2014. However, the *Amended Official Certificate of Estimated Resources* reflected \$89,800. For 2015, the Township did not record any estimated receipts in the Receipts Journal. The fiscal officer should periodically compare amounts recorded in the Receipts Journal 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 2015 and 2014 to determine whether, for the General, Gasoline Tax and Fire Levy 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 Ledger for 2015 and 2014 for the following funds: General Fund, Gasoline Tax Fund, and Fire Levy Fund. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Appropriation Ledger for the General Fund and the Gasoline Tax Fund for 2015 and 2014. During 2014, the Appropriation Ledger recorded appropriations for the General Fund of \$65,576 and the Gasoline Tax Fund of \$154,533. The approved Appropriations Resolution for 2014 recorded appropriations in the amount of \$406,698 and \$169,118 for the General Fund and the Gasoline Tax Fund, respectively. During 2015, the Appropriation Ledger recorded appropriations for the General Fund of \$53,710 and the Gasoline Tax Fund of \$147,684. The approved Appropriations Resolution for 2015 recorded appropriations in the amount of \$392,817 and \$162,293 for the General Fund and the Gasoline Tax Fund, respectively. The fiscal officer should periodically compare amounts recorded in the Appropriation Ledger to amounts in approved appropriations resolutions to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
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 Levy funds for the years ended December 31, 2015 and 2014. We noted 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, 2015 and 2014 for the General, Gasoline Tax and Fire Levy funds, as recorded in the Appropriation Ledger. 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 Receipts Journal for evidence of new restricted receipts requiring a new fund during December 31, 2015 and 2014. 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 2015 and 2014 Receipts Journal and Appropriation Ledger for evidence of interfund transfers exceeding \$5,000 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 Ledger 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 Journal for the years ended December 31, 2015 and 2014 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 Appropriation Ledger for the years ended December 31, 2015 and 2014 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 formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed AFDRS to verify the Township filed their financial information within the allotted timeframe for the years ended December 31, 2015 and 2014. 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.



Dave Yost
Auditor of State

Columbus, Ohio

August 12, 2016



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BROWN TOWNSHIP

DARKE 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 1, 2016**