



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Canaan Township
Wayne County
150 Myers Street
Creston, Ohio 44217

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Canaan Township (the Township) on the receipts, disbursements and balances recorded in the Township's 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

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 Cash Journal to the December 31, 2015 balances in the documentation in the prior year Agreed-Upon Procedures working papers. We noted a variance of \$42.06 related to an expense unrecorded prior to December 31, 2015 and the Township made a beginning fund balance adjustment for January 1, 2016 to reconcile to the bank balance. We also agreed the January 1, 2017 beginning fund balances recorded in the Cash Journal to the December 31, 2016 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, 2017 and 2016 fund cash balances reported in the Cash Journal. The amounts agreed.
4. We confirmed the December 31, 2017 bank account balances with the Township's financial institution. We also agreed the confirmed balances to the amounts appearing on the December 31, 2017 bank reconciliation. We found no exceptions.

Cash (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2017 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 Journal. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We inspected investments held at December 31, 2017 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 Journal. The amounts agreed.
 - b. We inspected the Receipt Journal 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 Journal to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Journal to determine whether it included two real estate tax receipts for 2017 and 2016. The Receipt Journal 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 Journal. The amounts agreed.
 - b. We inspected the Receipt Journal to determine that these receipts were allocated to the proper funds. We found no exceptions.
 - c. We inspected the Receipt Journal 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 was outstanding as of December 31, 2015. These amounts agreed to the Township's January 1, 2016 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2015:
Wayne Savings Loan	\$91,406.65

2. We inquired of management, and inspected the Receipt Journal and Appropriation Journal for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. We noted a new loan from Wayne Savings for the construction of a new maintenance building and garage. However, the proceeds were improperly posted to the Miscellaneous Revenue line item.
3. We obtained a summary of debt activity for 2017 and 2016 and agreed principal and interest payments from the related debt amortization schedule to debt service fund payments reported in the Appropriation Journal. We also compared the date the debt service payments were due to the date the Township made the payments. We noted that the Township paid more principal than stated on the amortization schedule in 2016 causing a variance of \$75.06; however, the amounts agreed for 2017. We found no other exceptions.
4. For new debt issued during 2017 and 2016, we inspected the minutes, which stated the Township must use the proceeds to build a new maintenance building and garage. We inspected the 2017 Minutes and observed the Township received and used funds to build the new maintenance building and garage in July of 2017.

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 Payroll Summary Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Summary 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 timesheets. We also confirmed the payment was posted to the proper year. We found no exceptions.

Payroll Cash Disbursements (Continued)

2. 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	December 31, 2017	2,723.67	2,723.67
State income taxes	January 15, 2018	December 28, 2017	462.18	462.18
School income tax	January 20, 2018	December 28, 2017	199.16	199.16
OPERS retirement	January 30, 2018	December 28, 2017	4,940.39	4,940.39
OP&F retirement	January 31, 2018	December 28, 2017	1,400.80	1,400.80

3. For the pay periods ended November 30, 2017 and July 6, 2016, we recomputed the allocation of the Trustees' salaries to the General, Road & Bridge and Gas Tax Funds per the Payroll Record Journal. We found no exceptions.
4. For the pay periods described in the preceding procedure, we were unable to trace the Trustees' salary for time or services performed to supporting certifications the Revised Code requires. The allocations are documented in the minutes; however, there are no certifications completed. We reviewed all pay periods for 2016 and 2017 and calculated the amount that was paid from the Road & Bridge and Gas Tax funds. We therefore requested management to adjust the amounts for the Trustees salaries to the General Fund from the Road & Bridge and Gas Tax funds in the amounts of \$28,066 for 2016 and \$29,016 for 2017. As of the date of this report, management has not yet made the required adjustment back to the General Fund. In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in favor of the Road & Bridge Fund in the amount of \$14,033 for 2016 and \$14,508 for 2017 and against the General Fund in favor of the Gas Tax Fund in the amount of \$14,033 for 2016 and \$14,508 for 2017.
5. We inquired of management and inspected the Appropriation Journal 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

1. From the Appropriation Journal, we re-footed checks recorded as General Fund disbursements for *capital outlay*, and checks recorded as *public safety* in the Gasoline Tax fund for 2017. We found no exceptions.
2. We haphazardly selected ten disbursements from the Appropriation Journal 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 Appropriation Journal 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 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 Receipt Journal for the General, Motor Vehicle License Tax and Road & Bridge 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 Road and Bridge Fund in 2016 and the General and Road and Bridge Funds for 2017. The Receipt Journal Report recorded budgeted (i.e. certified) resources for the Road and Bridge fund of \$231,800 for 2016. However, the final *Amended Official Certificate of Estimated Resources* reflected \$254,900. The Receipt Journal Report recorded budgeted (i.e. certified) resources for the General and Road & Bridge Funds of \$95,861.06 and \$262,900, respectively for 2017. However, the final *Amended Official Certificate of Estimated Resources* reflected \$95,661.06 and \$703,635.50, 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, Motor Vehicle License Tax and Road & 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 Journal for 2017 and 2016 for the following funds: General, Motor Vehicle License Tax, and Road & Bridge Funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Journal.
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, Motor Vehicle License Tax and Road & Bridge funds for the years ended December 31, 2017 and 2016. There were 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, 2017 and 2016 for the General, Motor Vehicle License Tax and Road & Bridge fund, as recorded in the Appropriation Journal. 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 Journal 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 inquired of management and inspected the Appropriation Journal to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Township did not establish these reserves.
9. We inspected the Cash Journal for the years ended December 31, 2017 and 2016 for negative cash fund balances. 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. No funds had negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Appropriation Journal 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 refiling 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-upon 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. There were no exceptions.

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.

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

August 6, 2018

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CANAAN 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, 23 2018**