



Dave Yost • Auditor of State



**FREEPORT TOWNSHIP  
HARRISON COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

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

Freeport Township  
Harrison County  
225 South High Street  
Freeport, Ohio 43973

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Freeport Township, Harrison County, Ohio (the Township), 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

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 documentation 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 Status 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. The amounts agreed.
4. We confirmed the December 31, 2017 bank account balances with the Township's financial institution. A certificate of deposit (CD) confirmed balance did not agree, and was overstated by \$4,500. We also agreed the confirmed balances to the amounts appearing in the December 31, 2017 bank reconciliation. The amounts agreed except for a CD balance, which the reconciliation overstated by \$4,500 due to a clerical error. The Fiscal Officer recorded the CD at \$5,000 instead of \$500, the confirmed balance of the CD.

### **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 the only reconciling credit (deposits in transit) from the December 31, 2017 bank reconciliation:
  - a. We traced the credit to the subsequent January bank statement. We found no exceptions.
  - b. We agreed the credit amount to the Receipts Register. The credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. 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 §§ 135.13, 135.14 or 135.144. We found no exceptions.
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code § 135.13 or 135.14. We noted no exceptions.

### **Property Taxes and Intergovernmental 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 for 2016. However, for 2017, the net receipt amounts were posted rather than the gross receipt amounts.
  - b. We inspected the Receipt Register Report to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code §§ 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 Cross Reference Report by Vendor Number 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 found no exceptions, except in 2017, a State DTL receipt of \$94 was entirely allocated to the General Fund, but only \$26 should have been allocated to the General Fund, \$20 allocated to the Road and Bridge Fund, \$20 to the Cemetery Fund, and \$28 to the Fire District Fund. We brought this to management's attention. They corrected the General, Road and Bridge, Cemetery, and Fire District fund balances for this item. However, because we did not inspect all receipts, our report provides no assurance regarding whether or not other similar errors occurred.

**Property Taxes and Intergovernmental Cash Receipts (Continued)**

- 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 bonds were outstanding as of December 31, 2015. The Township did not show the January 1, 2016 balance on the summary we used in procedure 3; therefore, this amount could not be agreed.

Issue	Principal outstanding as of December 31, 2015:
Tractor – Equipment Bonds	\$29,000

- 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 bond debt activity for 2017 and 2016 and agreed principal and interest payments from the related debt amortization schedule to Gasoline Tax 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. We found no exceptions, except that interest amounts were not included in the summary.

**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 Wage Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (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 minute record 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 minute record 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; and
  - f. Any other deduction authorizations (deferred compensation, etc.).

We found no exceptions related to procedures a. – f. above, except the retirement system enrollment form, and the federal and state income tax withholding authorization was not maintained for the one new employee. However, the payroll register did disclose retirement withholdings and state tax withholdings for this employee. We recommend the Township maintain all documentation to support deductions withheld.

**Payroll Cash Disbursements (Continued)**

- 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:

<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 & Medicare	1/31/18	7/16/18	\$1,990	\$1,990
State income taxes	1/15/18	7/9/18	\$257	\$261
OPERS retirement	1/30/18	1/17/18	\$1,407	\$1,407

As noted above, the Federal and State income taxes were paid late.

- For the pay periods ended October 31, 2017 and April 30, 2016, we recomputed the allocation of the Boards' salaries to the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, and Cemetery Funds per the Wage Detail Report. We found no exceptions.
- For the pay periods described in the preceding procedure, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. We noted the following:

Ohio Rev. Code § 505.24(D) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Per Auditor of State Bulletin 2011-007, each township trustee that is compensated from funds other than the general fund must complete a payroll certification prior to receiving his 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 township trustee spent during that pay period providing services related to each fund to be charged.

For the pay periods tested in step 4 above, we noted the allocations per the Wage Detail Report did not agree to the allocations per the supporting certifications or no certifications were provided to support the allocation. These errors resulted in payroll charges to the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge Funds in the amounts of \$32, \$939, and \$177 respectively, which should have been charged to the General, Road and Bridge, and Cemetery Funds in the amount of \$748, \$223, and \$177, respectively.



### Payroll Cash Disbursements (Continued)

This adjustment was brought to the attention of management and has been posted by the Township to the accounting records. However, because we did not inspect all payroll disbursements, our report provides no assurance regarding whether or not other similar errors occurred. The Township should implement procedures to ensure trustees' salaries are charged to the applicable funds in accordance with the payroll certification form.

6. 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 image 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 two disbursements in 2016 that could not be verified to the canceled check image because the bank statement with the check image could not be located or obtained. We found one disbursement in 2017 where the supporting invoice was not provided.
- 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 § 5705.41(D). We found ten instances in 2017 and six instances in 2016 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 § 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 § 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Gasoline Tax and Cemetery Funds for the years ended December 31, 2018 and 2017. The amounts agreed.
2. We inspected the appropriation measures adopted for 2017 and 2016 to determine whether, for the General, Gasoline Tax and Cemetery 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 § 5705.38(C). The appropriation measures were not formally approved and adopted for 2017 and 2016; therefore, the legal level of control was not established for these funds.
3. We compared total appropriations required by Ohio Rev. Code §§ 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 Road and Bridge. The Board did not approve the appropriation resolutions, therefore the amounts did not agree to the amounts recorded in the Appropriation Status report.

### Compliance – Budgetary (Continued)

The Appropriation Status Report recorded appropriations for the General Fund of \$77,645, the Gasoline Tax Fund of \$102,360, and the Road and Bridge Fund of \$29,389 in 2017, while the permanent appropriations reflected \$0 since the board did not approve appropriations. The Appropriation Status Report recorded appropriations for the General Fund of \$104,031, the Gasoline Tax Fund of \$92,373, and the Road and Bridge Fund of \$31,364 in 2016, while the permanent appropriations reflected \$0 since the board did not approve appropriations.

4. Ohio Rev. Code §§ 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 Road and Bridge Funds for the years ended December 31, 2017 and 2016. There were no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code § 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 Road and Bridge Funds, as recorded in the Appropriation Status Report. General Fund, Gasoline Tax Fund, and Road and Bridge Funds expenditures for 2017 exceeded total appropriations by \$35,660, \$133,479, and \$12,098, respectively and for 2016 exceeded total appropriations by \$69,905, \$79,153, and \$19,795, respectively, contrary to Ohio Rev. Code § 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
6. Ohio Rev. Code § 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 § 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; however the Township established the Federal Emergency Management Agency (FEMA) fund several years ago to segregate FEMA receipts and disbursements, although the Township no longer has FEMA receipts and disbursements.
8. We inspected the 2017 and 2016 Cash Summary by Fund for evidence of interfund transfers exceeding \$100 which Ohio Rev. Code §§ 5705.14 - .16 restrict. The Township transferred \$6,500 from the Gasoline Tax Fund to the Cemetery Fund in 2017. Ohio Rev. Code Section 5705.16 does not permit this transfer without approval of the Tax Commissioner (effective after June 30, 2017) or the Court of Common Pleas (effective through June 30, 2017). The Township did not obtain this approval. In 2017, the Township transferred the \$6,500 back from the Cemetery Fund to the Gasoline Tax Fund.
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code § 5705.13. The Township did not establish these reserves.

### **Compliance – Budgetary (Continued)**

10. 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 § 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 balance.

### **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 § 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 § 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-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. Financial information was filed on April 30, 2018 for 2017 and 2016, which was not within the allotted timeframe.
2. We inquired of the fiscal officer to determine whether the fiscal officer obtained the training required by Ohio Rev. Code § 507.12. The 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.

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

July 19, 2018



# Dave Yost • Auditor of State

**FREEPORT TOWNSHIP**

**HARRISON 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 21, 2018**