



OHIO AUDITOR OF STATE
KEITH FABER



OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Turtle Creek Township
Shelby County
8347 State Route 705
Sidney, Ohio 45365

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Turtle Creek Township (the Township), on the receipts, disbursements and balances recorded in the Township's cash basis accounting records for the years ended December 31, 2018 and 2017 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, 2018 and 2017 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, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2016 balances in the documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2017 balances in the Cash Summary by Fund Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the Cash Summary by Fund Report. The amounts agreed.
4. We confirmed the December 31, 2018 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, 2018 bank reconciliation without exception.
5. We selected a sample (agreed upon) of five reconciling debits (such as outstanding checks) from the December 31, 2018 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 Payment Listing Report, to determine the debits were dated prior to December 31. There were no exceptions.

Cash (Continued)

6. We inspected the Cash Summary by Fund Report for 2017 to determine whether the Finding For Adjustment identified in the prior agreed-upon procedures report, due from the General fund, payable to the Cemetery fund, was properly posted to the report. We found 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 2018 and one from 2017:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger. The amounts agreed.
 - b. We inspected the Revenue Ledger 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 Revenue Ledger to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Revenue Ledger to determine whether it included two real estate tax receipts for 2018 and 2017. The Revenue Ledger included the proper number of tax receipts for each year.
3. We selected all four receipts from the State Distribution Transaction Lists (DTL) from 2018 and all four from 2017. We also selected a sample (agreed upon) of five receipts from the County Auditor's Appropriation History Report from 2018 and five from 2017.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Ledger. The amounts agreed.
 - b. We inspected the Revenue Ledger to determine that these receipts were allocated to the proper funds. We found no exceptions.
 - c. We inspected the Revenue Ledger to determine whether the receipts were recorded in the proper year. We found no exceptions.

Over-The-Counter Cash Receipts

We selected a sample (agreed upon) of 10 over-the-counter cash receipts from the year ended December 31, 2018 and 10 over-the-counter cash receipts from the year ended 2017 recorded in the duplicate cash receipts book and:

- a. Agreed the receipt amount to the amount recorded in the Revenue Ledger. The amounts agreed.
- b. Confirmed the amounts charged complied with rates in force during the period. We found no exceptions.
- c. Inspected the Revenue Ledger to determine the receipt was posted to the proper fund, and was recorded in the proper year. We found no exceptions.

Debt

1. The prior agreed-upon procedures documentation disclosed no debt outstanding as of December 2016.
2. We inquired of management, and inspected the Revenue Ledger and Payment Register Detail Report for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. All debt agreed to the summary we used in procedure 3.

Debt (Continued)

3. We obtained a summary of lease debt activity for 2018 and 2017 and agreed principal and interest payments from the related lease amortization schedule to Road and Bridge fund and Gasoline Tax fund payments reported in the Payment Register Detail Report. We also compared the date the lease payments were due to the date the Township made the payments. We found no exceptions.

Payroll Cash Disbursements

1. We selected one payroll check for five employees from 2018 and one payroll check for five employees from 2017 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 inspected the fund and account code(s) to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the minute record and 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 employees' personnel files and 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

We found no exceptions related to procedures a. – e. above, except no tax withholding forms were available for the one new employee selected. However, appropriate tax withholdings for this employee did occur. The Township should require all appropriate tax withholding forms be completed and the Township should maintain all documentation related to deductions withheld.

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 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 2018. We observed the following:

| Withholding (plus employer share, where applicable) | Date Due | Date Paid | Amount Due | Amount Paid |
|--|---------------------|----------------------|-----------------------|------------------------|
| Federal income taxes & Medicare | January 31, 2019 | January 3, 2019 | \$2,313.54 | \$2,313.54 |
| State income taxes | January 31, 2019 | January 2, 2019 | \$706.79 | \$706.79 |
| OPERS retirement | January 30, 2019 | January 2, 2019 | \$1,011.33 | \$1,011.33 |

4. For the pay periods ended September 30, 2018 and February 28, 2017, we recomputed the allocation of the Fiscal Officer's and Trustees' salaries to the General, Gasoline Tax, and Road and Bridge Funds per the Wage Detail Report. We found no exceptions.

Payroll Cash Disbursements (Continued)

5. For the pay periods described in the preceding procedure, we traced the Fiscal Officer's and Trustees' salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.
6. We inquired of management and inspected the Payment Register Detail and Wage Detail Report for the years ended December 31, 2018 and 2017 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. We identified the following issues with insurance reimbursements made during 2018 and 2017.

Ohio Attorney General Opinion 2017-026 states, in part, a resolution adopted by a board of township trustees declaring that cash payments or reimbursements provided to township officers and employees under R.C. 505.601 or R.C. § 505.603 will be discontinued to ensure compliance with the requirements of the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, 124 Stat. 119 (2010), supersedes a previous resolution in which the board of township trustees authorized cash payments or reimbursements to township officers and employees under R.C. 505.601 or R.C. 505.603. Therefore, a board of township trustees shall adopt a resolution authorizing the resumption of cash payments and reimbursements before a township fiscal officer may make the cash payments or reimbursements. If a board of township trustees discontinued cash payments or reimbursements to township officers and employees under R.C. 505.601 or R.C. 505.603 to ensure compliance with the requirements of the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, 124 Stat. 119 (2010), without adopting a resolution memorializing its intention to discontinue the cash payments or reimbursements, the board should adopt a new resolution memorializing the board's decision to resume cash payments or reimbursements that meet the requirements of 26 U.S.C.A. § 9831(d) (West 2017).

The Township reinstated the practice of reimbursing Township officials for insurance premiums via Township resolution 17-1113; however, reimbursements occurred throughout 2017, but the resolution to reinstate this practice was not approved by the Board of Trustees until November 13, 2017.

In addition, Township resolution 17-1113 states, in part, that the Board will provide reimbursement not exceeding \$4,950 annually per officer or employee for a single health insurance premium and \$10,000 annually per officer or employee for a family health insurance premium. For 2018, the Township increased the maximum reimbursement amount to \$12,500. However, the Township exceeded the board-approved maximum amount for one official during 2017 by providing premium reimbursements totaling \$11,407 in 2017. Also, Auditor of State (AOS) Bulletin 2017-002 states, in part, that payments and reimbursements for any year do not exceed \$4,950 per employee (\$10,000 if the arrangement provides for payments or reimbursements for family members of employee) for the offered reimbursement program. However, the Township exceeded this maximum amount for one official during both years of the period in the amount of \$1,407 and \$1,957 during 2017 and 2018, respectively.

Also, we identified that many of the payments for the reimbursement of premiums were not true reimbursements as the Township frequently paid the vendor directly for various policies provided by Township officials. Lastly, each Township official was reimbursed for multiple insurance premiums; however, although all officials were reimbursed for at least one policy premium that was a family policy, it appears as if some of the policies provided were for individual coverage premiums. In determining the maximum reimbursement amount for each official, the Township used the family coverage amount.

Payroll Cash Disbursements (Continued)

The Township should implement additional internal controls related to the reimbursement of insurance premiums and related compliance, including the following:

- Reimburse for insurance premiums only after appropriate board approval.
- Do not reimburse for any premium amounts that exceed the established board-approved maximum amount and the board-approved maximum amount should not exceed the maximum amount established by AOS Bulletin 2017-002.
- If not procuring a group insurance plan, only pay officials or employees for insurance premiums that the applicable official or employee has actually paid for.
- Consider the impact on the maximum allowable reimbursement if the Township reimburses an individual for both family and single insurance premiums.

Failure to implement proper procedures and controls over the reimbursement of insurance premiums could lead to noncompliance citations and/or findings for recovery in future engagements.

Non-Payroll Cash Disbursements

We selected a sample (agreed upon) of 10 disbursements from the Payment Register Detail Report for the year ended December 31, 2018 and 10 from the year ended 2017 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 identified one expenditure that was not charged to the proper funds. During 2017, a payment made for the Township's liability insurance premium in the amount of \$3,578 was incorrectly charged entirely to the Road and Bridge Fund. Although a portion of the Township's liability insurance is for road-type purposes, there are other items that are not road-related that are covered by this insurance coverage. Therefore, a portion of the premium should be charged to other applicable funds. Procedures should be implemented to provide that the Township allocate the cost of the liability insurance amongst the various funds that will benefit from having the insurance coverage. Improper use of funds could lead to misleading financial information and fund balance adjustments in the future.
- 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 Revenue Status Report for the General, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2018 and 2017. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General Fund. For 2017, the Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$49,783. However, the final *Amended Official Certificate of Estimated Resources* reflected \$49,283. For 2018, the Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$49,348. However, the final *Amended Official Certificate of Estimated Resources* reflected \$47,389. 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 inspected the appropriation measures adopted for 2018 and 2017 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 2018 and 2017 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 for 2017. For 2018, the Appropriation Status Report recorded final appropriations for the General fund of \$67,424. However, the final approved appropriation resolution reflected \$65,465 for the General fund. The Township should periodically compare amounts recorded in the Appropriation Status Report to appropriations approved by the Trustee 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 Road and Bridge funds for the years ended December 31, 2018 and 2017. There were 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, 2018 and 2017 for the General, Gasoline Tax, and Road and Bridge fund, as recorded in the Appropriation Status Report. 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 Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. 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.

Compliance – Budgetary (Continued)

7. For funds existing in prior years, we inspected 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 inspected the 2018 and 2017 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 (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
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 Section 5705.13. The Township did not establish these reserves.
10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2018 and 2017 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 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, 2018 and 2017 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 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 regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. 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, 2018 and 2017 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, 2018 and 2017, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

June 26, 2019

OHIO AUDITOR OF STATE KEITH FABER



TURTLE CREEK TOWNSHIP

SHELBY 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 11, 2019**