



Dave Yost • Auditor of State

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

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Dave Yost • Auditor of State

Deercreek Township
Pickaway County
104 South Main Street
Williamsport, Ohio 43164

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 25, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Deercreek Township
Pickaway County
104 South Main Street
Williamsport, Ohio 43164

To the Board of Trustees:

We have audited the accompanying financial statements of Deercreek Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and December 31, 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Deercreek Township, Pickaway County, Ohio its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township is experiencing certain financial difficulties. That difficulty and management's plan are discussed in Note 9.

As described in Note 2, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the



Dave Yost
Auditor of State

May 25, 2012

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>General</u> | <u>Special Revenue</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------|----------------------------|---|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$ 20,392 | \$ 90,390 | \$ 110,782 |
| Licenses, Permits and Fees | 669 | 10,000 | 10,669 |
| Intergovernmental | 19,878 | 110,554 | 130,432 |
| Earnings on Investments | 1,314 | 1,001 | 2,315 |
| Miscellaneous | 12,358 | 1,500 | 13,858 |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Cash Receipts</i> | 54,611 | 213,445 | 268,056 |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 91,067 | 442 | 91,509 |
| Public Safety | 561 | 30,839 | 31,400 |
| Public Works | - | 21,851 | 21,851 |
| Health | 4,078 | 53,230 | 57,308 |
| Conservation-Recreation | 228 | - | 228 |
| Other | - | 25 | 25 |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Cash Disbursements</i> | 95,934 | 106,387 | 202,321 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <hr/> (41,323) <hr/> | <hr/> 107,058 <hr/> | <hr/> 65,735 <hr/> |
| <i>Fund Cash Balances, January 1, Restated</i> | <hr/> 25,310 <hr/> | <hr/> 929,829 <hr/> | <hr/> 955,139 <hr/> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 960,644 | 960,644 |
| Committed | 6,208 | 76,243 | 82,451 |
| Assigned | - | - | 0 |
| Unassigned (Deficit) | (22,221) | - | (22,221) |
| | <hr/> | <hr/> | <hr/> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ (16,013)</u> | <u>\$ 1,036,887</u> | <u>\$ 1,020,874</u> |

The notes to the financial statements are an integral part of this statement.

DEERCREEK TOWNSHIP
PICKAWAY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Fiduciary Fund Type</u> |
|--|----------------------------------|
| | <u>Private Purpose Trust</u> |
| Non-Operating Cash Receipts: | |
| Earnings on Investments | \$ 178 |
| Total Non-Operating Cash Receipts | <u>178</u> |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Cash Disbursements | <u>-</u> |
| Total Non-Operating Cash Disbursements | <u>-</u> |
| Net Receipts Under Disbursements | 178 |
| Fund Cash Balance, January 1 | <u>7,515</u> |
| Fund Cash Balance, December 31 | <u><u>\$ 7,693</u></u> |

The notes to the financial statements are an integral part of this statement.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$ 20,506 | \$ 93,219 | \$ 113,725 |
| Licenses, Permits, and Fees | 2,278 | 14,250 | 16,528 |
| Intergovernmental | 21,702 | 114,145 | 135,847 |
| Earnings on Investments | 2,103 | 1,063 | 3,166 |
| Miscellaneous | 10,159 | 3,400 | 13,559 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 56,748 | 226,077 | 282,825 |
| | <hr/> | <hr/> | <hr/> |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 76,723 | - | 76,723 |
| Public Safety | 2,420 | 30,421 | 32,841 |
| Public Works | - | 101,508 | 101,508 |
| Health | 4,796 | 35,678 | 40,474 |
| Conservation - Recreation | 928 | - | 928 |
| Other | - | 464 | 464 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 84,867 | 168,071 | 252,938 |
| | <hr/> | <hr/> | <hr/> |
| Total Receipts Over/(Under) Disbursements | (28,119) | 58,006 | 29,887 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, January 1 | 47,221 | 878,031 | 925,252 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | \$ 19,102 | \$ 936,037 | \$ 955,139 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The notes to the financial statements are an integral part of this statement.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Fiduciary Fund Type |
|--|----------------------------------|
| | Private Purpose Trust |
| Non-Operating Cash Receipts: | |
| Earnings on Investments | \$ 24 |
| Total Non-Operating Cash Receipts | 24 |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Cash Disbursements | 77 |
| Total Non-Operating Cash Disbursements | 77 |
| Net Receipts Under Disbursements | (53) |
| Fund Cash Balance, January 1 | 7,568 |
| Fund Cash Balance, December 31 | \$ 7,515 |

The notes to the financial statements are an integral part of this statement.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Deercreek Township, Pickaway County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government, road and bridge maintenance, and cemetery maintenance. The Township contracts with the Southwest Pickaway Fire District to provide fire services and Any Emergency Medical Services, Inc., to provide ambulance services. Police protection is provided by the Pickaway County Sheriff's Department. The Township contracts with the Village of Williamsport for emergency medical ambulance services.

The Township participates in two jointly governed organizations and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 7 and 8 to the financial statements provide additional information for these entities.

These organizations are:

Jointly Governed Organizations:

Southwest Pickaway Fire District – This organization was established by the Village of Williamsport and Deercreek Township to provide fire protection services to the residents of the Village and the Township.

Williamsport-Deercreek Recreation Board – This Board was established by the Village of Williamsport and Deercreek Township to provide, promote, and develop recreational opportunities for the residents of the Village and the Township.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority – This risk-sharing pool, available to Ohio Townships provides property and casualty insurance for its members.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

3. Fiduciary Fund

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of individuals through cemetery bequests which are not available to support the Township's own programs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle and Restatement of Fund Balance

For fiscal year 2011, the Township reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

| | Fund Balance at December 31, 2010 | GASB 54 Change in Fund Structure | Adjusted Fund Balance at January 1, 2011 |
|------------------------|--|---|---|
| General | \$ 19,102 | \$ 6,208 | \$ 25,310 |
| Special Revenue | \$936,037 | (\$ 6,208) | \$929,829 |

3. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

| | 2011 | 2010 |
|-------------------------|---------------------|-------------------|
| Demand deposits | \$ 1,028,567 | \$ 955,032 |
| Certificates of deposit | - | 7,622 |
| Total deposits | <u>\$ 1,028,567</u> | <u>\$ 962,654</u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and December 31, 2010 follows:

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$49,514 | \$54,611 | \$5,097 |
| Special Revenue | 212,761 | 213,445 | 684 |
| Trust | 12 | 178 | 166 |
| Total | \$262,287 | \$268,234 | \$5,947 |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$80,000 | \$95,934 | (\$15,934) |
| Special Revenue | 1,035,208 | 106,387 | 928,821 |
| Trust | 7,519 | 0 | 7,519 |
| Total | \$1,122,727 | \$202,321 | \$920,406 |

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$46,436 | \$56,748 | \$10,312 |
| Special Revenue | 203,588 | 226,077 | 22,489 |
| Trust | 12 | 24 | 12 |
| Total | \$250,036 | \$282,849 | \$32,813 |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$136,900 | \$84,867 | \$52,033 |
| Special Revenue | 872,550 | 168,071 | 704,479 |
| Trust | 200 | 77 | 123 |
| Total | \$1,009,650 | \$253,015 | \$756,635 |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$15,934 for the year ended December 31, 2011. Appropriations exceeded estimated resources in the general fund in 2011 and 2010 in the amounts of \$5,176 and \$ 43,243

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Property Tax (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

| | <u>2010</u> | <u>2009</u> |
|-------------|---------------------|---------------------|
| Assets | \$35,855,252 | \$38,982,088 |
| Liabilities | <u>(10,664,724)</u> | <u>(12,880,766)</u> |
| Net Assets | <u>\$25,190,528</u> | <u>\$26,101,322</u> |

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

| <u>Contributions to OTARMA</u> | |
|---------------------------------------|---------|
| 2010 | \$5,201 |
| 2011 | \$6,232 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Jointly Governed Organizations

Southwest Pickaway Fire District

Effective January 1, 2010 the Township became part of Southwest Pickaway Fire District, a jointly governed organization of the Township. The Township appoints 1 member to the Fire District's 3 member board.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Jointly Governed Organizations (Continued)

Southwest Pickaway Fire District (Continued)

The Township is a participant with the Village of Williamsport, Pickaway County Ohio, in the Southwest Pickaway Fire District. The District was created for the purpose of uniting Deercreek Township and the Village of Williamsport to guard against the occurrence of fires and to protect the property and lives of citizens against damage and accidents. The Southwest Pickaway Fire District was established by an agreement between Deercreek Township and the Village of Williamsport.

Deercreek Township and the Village of Williamsport shall unite in joint purchase, maintenance, use and operation of the firefighting equipment necessary. All firefighting equipment, apparatus, appliances and materials acquired by the Southwest Pickaway Fire District shall be purchased and titled in the Southwest Pickaway Fire District. All equipment, apparatus, appliances and materials previously purchased under the Williamsport and Deercreek Volunteer Fire Department shall be transferred to the Southwest Pickaway Fire District. Until the Southwest Pickaway Fire District Board has levied a sufficient tax upon all taxable property in the fire district to provide protection against fire; to provide and maintain fire apparatus and appliances, buildings and sites for apparatus and appliances, sources of water supply, materials for such water supply; and to pay permanent, part-time or volunteer fire fighting companies to operate such equipment, the members of this joint fire district shall provide to the Southwest Pickaway Fire District all funds received from their respective fire levies to be used by the Southwest Pickaway Fire District for the above purposes. All outstanding indebtedness previously incurred by the Williamsport and Deercreek Volunteer Fire Department shall be transferred to the Southwest Pickaway Fire District.

Deercreek Township has also entered into a lease agreement with the Southwest Pickaway Fire District for the premises on which the First District is located. As lessor, the Township is responsible for 40% of the monthly electricity bill on the leased premises. Deercreek Township is also responsible for maintaining the blacktop, furnace, and air conditioning system. The Township is also responsible for replacing fixtures as required and maintaining all exterior portions of the premises.

Williamsport-Deercreek Recreation Board

The Township, in conjunction with the Village of Williamsport, created the Williamsport-Deercreek Recreation Board that is responsible for providing, promoting, and developing recreational opportunities for the residents of the Village of Williamsport and Deercreek Township. The Board Members of the Recreation Board include two members appointed by the Township, two members appointed by the Village and one member appointed by the Board Members. During 2011 and 2010, there is no indication that the township contributed any funds toward the operation of the Recreation Board. The Township does not act as fiscal agent for the Board, thus, the activities of the Board are not reflected in the Township's financial statements.

9. MANAGEMENT PLAN

For fiscal year 2011, the Township's General Fund had negative operating income of (\$41,323) and a negative ending fund balance of (\$16,013).

The Township plans to reduce this deficit by taking the following steps:

- Take appropriate actions to allocate the fiscal officer's salary between allowable funds;
- Change the method by which Trustees are compensated;
- Set up an payment installment plan for insurance premiums;
- Put a general operating levy on the ballot in the November 2012 election;
- Seek financial assistance from the bank in the form of a loan.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Deercreek Township
Pickaway County
104 South Main Street
Williamsport, Ohio 43164

To the Board of Trustees:

We have audited the financial statements of Deercreek Township, Pickaway County, Ohio (the Township) as of and for the year ended December 31, 2011 and December 31, 2010, and have issued our report thereon dated May 25, 2012, wherein we noted the Township was experiencing certain financial difficulty and adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 05 described in the accompanying schedule of findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-04.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 25, 2012.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

May 25, 2012

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2011-01

Allocation of Trustee Salaries – Noncompliance Finding/Material Weakness

Ohio Revised Code Section 505.24(C) states that to be paid on a salary basis in equal monthly installments, the board of trustees must unanimously pass a resolution to allow it. It also sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036, and requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to restricted township funds other than the general fund, based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these restricted funds.

Trustees did not pass a resolution as required by Ohio rev. Code Section 505.24 (C), documenting the compensation method by which they were to be paid for 2011 or 2010. In addition, trustees' pay was charged to the general fund and restricted funds during the audit period and documentation of the services performed was kept within a monthly timesheet, rather than on a daily basis as required. However, only timesheets for six months of 2010 included hours per activity. Timesheets for the rest of the audit period did not include the hours spent on each activity.

For the 2011 financial statements and records, \$11,166, \$3,029, \$3,523 and \$7,673 in expenditures for Trustee salaries were reclassified to the General Fund from the Motor Vehicle License Tax Fund, Gasoline Fund, Road and Bridge Fund and Road-Voted Fund, respectively, due to lack of proper supporting documentation for the allocation of time.

For the 2010 financial statements and records, \$13,483, \$257 and \$37 in expenditures for Trustee salaries were adjusted to the General Fund, Road and Bridge Fund, and Cemetery Fund, respectively to properly reflect the allocation of salaries based on documented timesheets. Expenditures of \$12,304, \$1,216 and \$257 were also adjusted from the Gasoline Tax Fund, Motor Vehicle License Tax Fund, and Fire Fund, respectively.

We recommend the Township implement controls over the process of allocating trustee salaries and maintaining documentation on a daily basis detailing the services performed by each Trustee during the pay period to justify the time charged to the funds other than the Township's General Fund. We recommend the allocation of pay be based on the allocation of actual services performed.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2011-02

Appropriations Exceeding Estimated Resources - Noncompliance Finding

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Total appropriations exceeded the total estimated resources in the General Fund at December 31, 2011 and December 31, 2010 as follows:

2010

| Fund | Estimated Resources | Appropriations | Variance |
|---------------------|----------------------------|-----------------------|-------------------|
| General Fund | \$93,657 | \$136,900 | (\$43,243) |

2011

| Fund | Estimated Resources | Appropriations | Variance |
|---------------------|----------------------------|-----------------------|------------------|
| General Fund | \$74,824 | \$80,000 | (\$5,176) |

This could result in the Township expending more money than it receives and could cause possible negative fund balances. A lack of funds may result in the Township being unable to meet its current obligations.

We recommend the Township ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

FINDING NUMBER 2011-03

Expenditures Exceeding Appropriations - Noncompliance Finding

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township is the level at which the Board of Trustees adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2011 at the fund level as follows:

| Fund | Appropriations | Expenditures | Variance |
|---------------------|-----------------------|---------------------|-------------------|
| General Fund | \$80,000 | \$95,934 | (\$15,934) |

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and result in deficit spending.

We recommend the Township monitor appropriations and expenditures to avoid deficit spending. We also recommend the Township amend appropriations when necessary to expenditures are within appropriations.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2011-04

Negative Fund Balance - Noncompliance Finding

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

The Township's General Fund had a negative fund balance at December 31, 2011 of (\$16,013).

We recommend the Township monitor revenues, expenditures and fund balances to ensure expenditures are made within appropriated levels of available funds. If negative fund balances are anticipated, the Trustees should make an approved transfer or advance of funds to cover the necessary expenditures.

FINDING NUMBER 2011-05

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer of the Township and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In addition to those noted in Finding Number 2011-01, the following adjustments and reclassifications were made to the Township's financial statements and, where applicable, to the Township's accounting records:

In 2010 we had four adjustments between the General Fund and Special Revenue Funds ranging in amount from \$447 to \$14,521. In 2011 we had three adjustments and reclassifications that range between \$3,101 and \$13,240. These adjustments resulted from the misclassification of revenues in taxes, intergovernmental, and miscellaneous revenue.

Adjustments were made in the General and Special Revenue Funds for both 2010 and 2011 to account for rental revenue received from the Fire District. For 2010 there was an adjustment for \$447 from Special Revenue-Intergovernmental to General Fund-Misc. and a reclassification in the General Fund of \$633 from Intergovernmental to Misc. Revenue to properly account for rental revenue and electric reimbursement from the Fire District. For 2011 there was an adjustment from Special Revenue Fund-Intergovernmental to General Fund-Misc. Revenue for \$8,334 to accurately record the rental revenue and electric reimbursement.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

We recommend the Township develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increases the reliability of the financial data throughout the year. Such procedures may include review of the financial ledgers and financial statements by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions.

We did not receive a response from management in regards to the above findings.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2009-001 | Municipal Contracting – Ohio Rev. Code Sec. 5549.21 | Yes | Finding No Longer Valid |
| 2009-002 | Allocation of Trustee Salaries – Ohio Rev. Code Sec. 505.24(C) | No | Not Corrected; Repeated as Finding 2011-01 |
| 2009-003 | Interest Allocation – Ohio Rev. Code Sec. 5705.31 | Yes | Finding No Longer Valid |
| 2009-004 | Financial Reporting | No | Not Corrected; Repeated as Finding 2011-05 |



Dave Yost • Auditor of State

DEERCREEK TOWNSHIP

PICKAWAY 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 02, 2012