



Dave Yost • Auditor of State



**GREENWICH TOWNSHIP  
HURON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Greenwich Township  
Huron County  
3221 Plymouth East Road  
Greenwich, Ohio 44837-9317

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Greenwich Township, Huron County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Greenwich Township, Huron County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 Greenwich Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 27, 2013

**GREENWICH TOWNSHIP  
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>General</b>	<b>Special Revenue</b>	<b>Permanent</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$7,375	\$64,494		\$71,869
Licenses, Permits and Fees	400			400
Intergovernmental	13,265	106,359		119,624
Earnings on Investments	36	23	\$2	61
Miscellaneous	816	4,338		5,154
<i>Total Cash Receipts</i>	<u>21,892</u>	<u>175,214</u>	<u>2</u>	<u>197,108</u>
<b>Cash Disbursements</b>				
Current:				
General Government	30,861			30,861
Public Works	100	251,599		251,699
Capital Outlay		11,500		11,500
Debt Service:				
Principal Retirement		5,064		5,064
Interest and Fiscal Charges		529		529
<i>Total Cash Disbursements</i>	<u>30,961</u>	<u>268,692</u>	<u></u>	<u>299,653</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,069)</u>	<u>(93,478)</u>	<u>2</u>	<u>(102,545)</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds		40,000		40,000
Sale of Capital Assets		2,157		2,157
<i>Total Other Financing Receipts</i>	<u></u>	<u>42,157</u>	<u></u>	<u>42,157</u>
<i>Net Change in Fund Cash Balances</i>	<u>(9,069)</u>	<u>(51,321)</u>	<u>2</u>	<u>(60,388)</u>
<i>Fund Cash Balances, January 1</i>	<u>13,255</u>	<u>80,369</u>	<u>2,711</u>	<u>96,335</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			1,900	1,900
Restricted		29,048	813	29,861
Unassigned	4,186			4,186
<i>Fund Cash Balances, December 31</i>	<u>\$4,186</u>	<u>\$29,048</u>	<u>\$2,713</u>	<u>\$35,947</u>

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

**GREENWICH TOWNSHIP  
HURON COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Permanent</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$7,444	\$66,406		\$73,850
Licenses, Permits and Fees	505			505
Intergovernmental	18,241	108,823		127,064
Earnings on Investments	49	32	\$11	92
Miscellaneous	1,343			1,343
<i>Total Cash Receipts</i>	<u>27,582</u>	<u>175,261</u>	<u>11</u>	<u>202,854</u>
<b>Cash Disbursements</b>				
Current:				
General Government	31,985	551		32,536
Public Works		108,345		108,345
Capital Outlay		14,804		14,804
Debt Service:				
Principal Retirement		9,125		9,125
<i>Total Cash Disbursements</i>	<u>31,985</u>	<u>132,825</u>		<u>164,810</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,403)</u>	<u>42,436</u>	<u>11</u>	<u>38,044</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds		14,804		14,804
<i>Net Change in Fund Cash Balances</i>	<u>(4,403)</u>	<u>57,240</u>	<u>11</u>	<u>52,848</u>
<i>Fund Cash Balances, January 1</i>	<u>17,658</u>	<u>23,129</u>	<u>2,700</u>	<u>43,487</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			2,000	2,000
Restricted		71,656	711	72,367
Committed		8,713		8,713
Unassigned	13,255			13,255
<i>Fund Cash Balances, December 31</i>	<u><u>\$13,255</u></u>	<u><u>\$80,369</u></u>	<u><u>\$2,711</u></u>	<u><u>\$96,335</u></u>

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

**GREENWICH TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 Greenwich Township, Huron County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and general government services.

The Township participates in two jointly governed organizations and one public entity risk pool. Notes 8 and 9 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Tri-Community Joint Fire District provides fire protection services.

Tri-Community Ambulance District provides emergency medical services.

Public Entity Risk Pool:

The Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage 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. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Township had the following significant Special Revenue Funds:

**GREENWICH TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting township's programs for the benefit of the Township or its citizenry. The Township had the following significant Permanent Fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**D. Budgetary Process**

The Ohio Revised Code requires each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program or object 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.

**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 2012 and 2011 budgetary activity appears in Note 4.

**E. Fund Balance**

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:

**GREENWICH TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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.

**F. 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.

**2. CHANGE IN ACCOUNTING PRINCIPLE**

For 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**GREENWICH TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. EQUITY IN POOLED DEPOSITS**

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

	2012	2011
Demand deposits	\$34,047	\$84,423
Certificates of deposit	1,900	1,900
Other time deposits (savings accounts)		10,012
Total deposits	\$35,947	\$96,335

Deposits are insured by the Federal Depository Insurance Corporation.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,771	\$21,892	\$2,121
Special Revenue	160,485	217,371	56,886
Permanent		2	2
Total	\$180,256	\$239,265	\$59,009

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,779	\$30,961	\$5,818
Special Revenue	237,101	268,692	(31,591)
Permanent	711		711
Total	\$274,591	\$299,653	(\$25,062)

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,884	\$27,582	\$2,698
Special Revenue	153,715	190,065	36,350
Permanent		11	11
Total	\$178,599	\$217,658	\$39,059

**GREENWICH TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,468	\$31,985	(\$517)
Special Revenue	190,918	132,825	58,093
Permanent	2,700	2,700	2,700
Total	\$225,086	\$164,810	\$60,276

**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.

Public utilities are also taxed on personal and real property located within the Township.

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. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CT77H	\$900	0.00%
Backhoe Promissory Note	10,040	4.25%
Road Project Promissory Note	40,000	4.25%
Total	\$50,940	

The Ohio Public Works Commission (OPWC) loan relates to the Greenwich Milan Townline Road 51 reconstruction project. The loan will be repaid in semiannual installments of \$300 over 10 years.

The Township took out a promissory note to finance the purchase of a backhoe. The note will be repaid in semiannual installments of \$5,293 including interest. This note was obtained contrary to the requirements of the Ohio Revised Code.

The Township took out a promissory note to finance a road improvement project. The note will be repaid in one installment of \$41,700 including interest. This note was obtained contrary to the requirements of the Ohio Revised Code.

**GREENWICH TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPW Loan #CT77H	Backhoe Promissory Note	Road Project Promissory Note
2013	\$300	\$5,293	\$41,700
2014	300	5,293	
2015	300		
Total	<u>\$900</u>	<u>\$10,586</u>	<u>\$41,700</u>

**7. RETIREMENT SYSTEM**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 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.

**GREENWICH TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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>	
<u>2012</u>	<u>2011</u>
\$4,979	\$4,735

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

**9. JOINTLY GOVERNED ORGANIZATIONS**

**Tri-Community Joint Fire District**

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Greenwich, Greenwich Township, and Ripley Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained from Lisa Madison, Clerk, Tri-Community Joint Fire District, 49 Main Street, Greenwich, Ohio, 44837-1145.

**GREENWICH TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Tri-Community Ambulance District**

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Greenwich, Greenwich Township, and Ripley Township. The District provides emergency medical services to residents of these political subdivisions. Financial information can be obtained from Traci Montgomery, Clerk, Tri-Community Ambulance District, 3720 Edwards Road, Greenwich, Ohio 44837-9416.

**10. COMPLIANCE**

Contrary to Ohio law, the Township did not establish administrative procedures to support the payments from the Gasoline Tax fund for the months of May and June, 2011.

Contrary to Ohio law, the Township paid \$5,475 for road repair projects from the General fund in 2012.

Contrary to Ohio law, the Fiscal Officer posted excess IRP, township road mileage, local government, and township gasoline cents per gallon monies to the incorrect funds during the years ended December 31, 2012 and 2011.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Greenwich Township  
Huron County  
3221 Plymouth East Road  
Greenwich, Ohio 44837-9317

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Greenwich Township, Huron County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 27, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and wherein the Township adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2012-001 through 2012-003 and 2012-005 described in the accompanying schedule of findings to be material weaknesses.

### ***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, opining 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 2012-001 through 2012-004.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication 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

June 27, 2013

**GREENWICH TOWNSHIP  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2012-001**

**Noncompliance Citation / Material Weakness**

**Ohio Revised Code, § 505.24 (C)**, sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires compensation of a township trustee must be paid from the Township General Fund or from such other 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 other township funds 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' document all time spent on township business and the type of service(s) performed, in a manner similar to the trustees' paid per diem compensation.

The Fiscal Officer paid the salaries of Trustees from the Gasoline Tax fund for various months during 2011. The Township did not establish administrative procedures to support the payments from the Gasoline Tax fund for the months of May and June, 2011. Accordingly the following expenditures are deemed unallowable and have been adjusted in the financial statements and on the Township's accounting records to represent them as being paid from the General Fund:

<b>Fund Type/Fund</b>	<b>Program</b>	<b>Amount Adjusted</b>
General Fund	General Government	\$3,428
<b>Special Revenue Fund Type:</b>		
Gasoline Tax Fund	Public Works	(\$3,428)

The Township has since implemented administrative procedures to support the allocation of Trustees' salaries to funds other than the General fund. Additionally, the Fiscal Officer can refer to Auditor of State Bulletin 2011-007 for further guidance. Failure to properly document Trustees' salaries charged to funds other than the General Fund results in the illegal expenditure of public monies from the Townships' other funds and will result in future findings for adjustment.

**FINDING NUMBER 2012-002**

**Noncompliance Citation / Material Weakness**

**Ohio Revised Code, § 5549.21**, provides in part that all payments on account of machinery, tools, material, and labor necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township shall be made from the township road fund.

The Township paid \$5,475 for road repair projects from the General fund in 2012.

**FINDING NUMBER 2012-002  
(Continued)**

The accompanying financial statements and the Township's accounting records have been adjusted to reflect these payments from the Township's Road and Bridge special revenue fund. Payments related to the construction, reconstruction, maintenance and repair of roads should be made from the Road and Bridge fund.

**FINDING NUMBER 2012-003**

**Noncompliance Citation / Material Weakness**

**Ohio Revised Code, § 5705.10(D)**, states in part all revenues derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Fiscal Officer posted excess IRP, township road mileage, local government, and township gasoline cents per gallon monies to the incorrect funds during the years ended December 31, 2012 and 2011. The following table illustrates the errors in posting by fund:

<u>Fund Type/Fund</u>	<u>2012 Amount Adjusted</u>	<u>2011 Amount Adjusted</u>
General Fund	(\$2,773)	(\$325)
<b>Special Revenue Fund Type:</b>		
Motor Vehicle License Fund	(1,452)	1,228
Gas Tax Fund	4,225	(903)

The accompanying financial statements and Township accounting records have been adjusted to reflect these changes.

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

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board of Trustees, to identify and correct errors and omissions.. Also, the Fiscal Officer can refer to the Ohio Township Handbook available from the following web address for guidance on the posting of transactions: <http://www.ohioauditor.gov/services/lgs/publications/LocalGovernmentManualsHandbooks/Ohio%20Township%20Handbook%202013.pdf>

**FINDING NUMBER 2012-004**

**Noncompliance Citation**

**Ohio Revised Code, Chapters 133 and 505**, allow various methods for Townships to incur debt. These include:

- **Ohio Revised Code, §133.22**, allows a subdivision to issue anticipatory securities,

**FINDING NUMBER 2012-004  
(Continued)**

- **Ohio Revised Code, §133.10**, allows anticipation securities in anticipation of current property tax revenues,
- **Ohio Revised Code, §133.12**, allows a subdivision to issue general obligation securities to meet emergencies,
- **Ohio Revised Code, §133.15**, allows a subdivision to issue securities to pay for permanent improvements,
- **Ohio Revised Code, §133.151**, allows a township to issue self-supporting securities to pay for the costs of any permanent improvements,
- **Ohio Revised Code, §133.14**, allows the issuance of securities for the purpose of providing funds with which to pay one or more final judgments rendered against the subdivision,
- **Ohio Revised Code, §133.18**, allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue, and
- **Ohio Revised Code, §505.262**, allows the board of township trustees to issue securities for the construction of buildings.

In 2011, the Township signed a promissory note with a local bank to finance the purchase of a backhoe for \$14,804. In 2012, the Township signed a promissory note with a local bank to finance a portion of a road improvement project for \$40,000. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapters 133 or 505. Failure to comply with the Ohio Revised Code could result in the improper use of debt proceeds. It may also result in the Township acquiring debt which it is unable to repay.

The Ohio Revised Code contains various methods of incurring debt for Townships. Promissory notes with banking institutions are not legal methods of debt issuance for Townships. We recommend the Township contact their legal counsel before incurring future debt.

**FINDING NUMBER 2012-005**

**Material Weakness - Financial Reporting**

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2011:

- Estimated Receipts were decreased in the Special Revenue fund type in the amount of \$32,608 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;  
  
Appropriations were decreased in the Special Revenue fund type in the amount of \$14,804 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts; and
- Fund Balance in the amount of \$8,713 in the Road and Bridge fund was reclassified from Restricted to Committed.

**FINDING NUMBER 2012-005**  
**(Continued)**

We also identified errors such as the following which required adjustment to the financial statements for the year ending December 31, 2012:

- Principal and interest payments in the amounts of \$2,385 and \$262, respectively, in the Road and Bridge fund were incorrectly recorded as Public Works disbursements;
- Estimated Receipts were decreased in the Special Revenue fund type in the amount of \$40,000 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Appropriations were decreased in the Special Revenue fund type in the amount of \$40,000 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts; and
- Fund Balance in the amount of \$1,900 in the Permanent fund was reclassified from Restricted to Nonspendable.

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

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the Ohio Township Handbook at the following web site address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/services/lgs/publications/LocalGovernmentManualsHandbooks/Ohio%20Township%20Handbook%202013.pdf>

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.



# Dave Yost • Auditor of State

**GREENWICH TOWNSHIP**

**HURON 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 1, 2013**