



Dave Yost • Auditor of State

**GREEN TOWNSHIP
CLARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Green Township
Clark County
5467 Selma Pike
Springfield, Ohio 45502

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Green Township, Clark County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these 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, 2013 and 2012, 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 Green Township, Clark as of December 31, 2013 and 2012, 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(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the January 1, 2012 fund balances were restated. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, 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

December 4, 2014

**GREEN TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$13,052	\$374,186		\$387,238
Charges for Services		41,249		41,249
Licenses, Permits and Fees		2,350		2,350
Intergovernmental	7,914	240,742		248,656
Earnings on Investments	718	78	\$2	798
Miscellaneous		792		792
Total Cash Receipts	<u>21,684</u>	<u>659,397</u>	<u>2</u>	<u>681,083</u>
Cash Disbursements:				
Current:				
General Government	43,178			43,178
Public Safety		314,607		314,607
Public Works	389	204,375		204,764
Health	5,625	875	60	6,560
Debt Service:				
Principal Retirement		27,996		27,996
Interest and Fiscal Charges		8,004		8,004
Total Cash Disbursements	<u>49,192</u>	<u>555,857</u>	<u>60</u>	<u>605,109</u>
Excess of Receipts Over (Under) Disbursements	<u>(27,508)</u>	<u>103,540</u>	<u>(58)</u>	<u>75,974</u>
Other Financing Receipts (Disbursements):				
Other Financing Sources	4,880			4,880
Total Other Financing Receipts (Disbursements)	<u>4,880</u>			<u>4,880</u>
Net Change in Fund Cash Balances	<u>(22,628)</u>	<u>103,540</u>	<u>(58)</u>	<u>80,854</u>
Fund Cash Balances, January 1	<u>167,840</u>	<u>542,805</u>	<u>3,365</u>	<u>714,010</u>
Fund Cash Balances, December 31:				
Non-spendable			2,909	2,909
Restricted		646,345	398	646,743
Committed				
Assigned	2,614			2,614
Unassigned (Deficit)	142,598			142,598
Fund Cash Balances, December 31	<u>\$145,212</u>	<u>\$646,345</u>	<u>\$3,307</u>	<u>\$794,864</u>

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

**GREEN TOWNSHIP
CLARK COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$12,021	\$379,680		\$391,701
Charges for Services		44,092		44,092
Licenses, Permits and Fees		2,675		2,675
Intergovernmental	17,225	240,051		257,276
Earnings on Investments	1,111	79	\$2	1,192
Miscellaneous		20,195		20,195
Total Cash Receipts	<u>30,357</u>	<u>686,772</u>	<u>2</u>	<u>717,131</u>
Cash Disbursements:				
Current:				
General Government	30,992			30,992
Public Safety		348,885		348,885
Public Works		224,235		224,235
Health	8,750	2,844		11,594
Capital Outlay		15,010		15,010
Debt Service:				
Principal Retirement		123,154		123,154
Interest and Fiscal Charges		14,204		14,204
Total Cash Disbursements	<u>39,742</u>	<u>728,332</u>		<u>768,074</u>
Excess of Receipts Over (Under) Disbursements	<u>(9,385)</u>	<u>(41,560)</u>	<u>2</u>	<u>(50,943)</u>
Other Financing Receipts (Disbursements):				
Other Financing Sources	30			30
Total Other Financing Receipts (Disbursements)	<u>30</u>			<u>30</u>
Net Change in Fund Cash Balances	<u>(9,355)</u>	<u>(41,560)</u>	<u>2</u>	<u>(50,913)</u>
Fund Cash Balances, January 1, Restated	<u>177,195</u>	<u>584,365</u>	<u>3,363</u>	<u>764,923</u>
Fund Cash Balances, December 31:				
Non-spendable			2,909	2,909
Restricted		542,805	456	543,261
Assigned	25,158			25,158
Unassigned (Deficit)	142,682			142,682
Fund Cash Balances, December 31	<u>\$167,840</u>	<u>\$542,805</u>	<u>\$3,365</u>	<u>\$714,010</u>

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

**GREEN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 the Green Township, Clark County, (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, fire protection and emergency medical services.

The Township participates in one joint venture and a public entity risk pool. Notes 7 and 8 to the financial statements provide additional information for these entities. These organizations are:

1. Public Entity Risk Pool:

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a risk-sharing pool available to Ohio local governments. OPRM provides property and casualty coverage for its members.

2. Joint Venture:

The Township and Mad River Township united in 2002 to provide firefighting services to those areas of Green and Mad River Townships formally served by Husted Fire and EMS.

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.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**GREEN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 other than debt service or capital projects. 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.

Fire District I Fund - This fund receives property tax money for operation and maintenance of a Township fire department.

Fire District II Fund - This fund receives property tax money for operation and maintenance of a Township fire department.

Emergency Medical Services Fund - This fund receives property tax money and charges for services to provide emergency medical services.

Fire and Rescue Ambulance Emergency Medical Services Fund - This fund receives property tax money and other revenue for operations and maintenance of the joint fire house.

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.

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, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**GREEN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 carried over, and need not be re-appropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. 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:

1. Non-spendable

The Township classifies assets as *non-spendable* 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.

**GREEN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. 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:

	2013	2012
Demand deposits	\$166,486	\$20,338
Other time deposits	628,378	693,672
Total deposits and investments	\$794,864	\$714,010

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,361	\$26,564	(\$6,797)
Special Revenue	611,995	659,397	47,402
Permanent	29	2	(27)
Total	\$645,385	\$685,963	\$40,578

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,479	\$51,806	\$4,673
Special Revenue	937,481	571,384	366,097
Permanent		60	(60)
Total	\$993,960	\$623,250	\$370,710

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,189	\$30,387	(\$102,802)
Special Revenue	663,990	686,772	22,782
Permanent		2	2
Total	\$797,179	\$717,161	(\$80,018)

**GREEN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,195	\$49,364	\$6,831
Special Revenue	963,645	900,906	62,739
Permanent			
Total	\$1,019,840	\$950,270	\$69,570

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Permanent funds by \$60 for the year ended December 31, 2013.

4. 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.

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Bond Anticipation Note	\$242,396	3.03%

The Township issued \$500,000 in bond anticipation notes in October 2004 to finance the construction of a new Emergency Services building. The notes will be paid in yearly installments, at a varying interest rate, over a twenty year period and mature in October 2024. The interest rate was 3.85% through November 2009. Rate changed to 3.03% starting December 2009.

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

Year ending December 31:	Bond Anticipation Note
2014	\$36,000
2015	36,000
2016	36,000
2017	36,000
2018	36,000
2019-2023	87,794
2024	24,203
Total	\$291,997

**GREEN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. RETIREMENT SYSTEMS

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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

7. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**GREEN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. JOINT VENTURE

Based on an agreement, written by the Clark County Prosecutor's Office, signed and dated on December 5, 2001, by the Green and Mad River Township Trustees, the Townships entered into a joint agreement to mutually share all expenses for the operation of Hustead Fire and EMS Departments.

Said agreement was based on Ohio Revised Code Section 505.37(B) which authorized board of Township Trustees to unite in the joint purchase, maintenance, use, and operation of fire-fighting and emergency medical services equipment. The agreement states in part that the funding for operation of the two departments shall be appropriated equally between the two Townships.

9. SUBSEQUENT EVENTS

The Township issued \$201,300 of bonds for the purchase of a Fire Tanker Truck for use at the Pitchen Fire Department subsequent to December 31, 2013.

10. PRIOR PERIOD ADJUSTMENT

The Township restated its January 1, 2012 fund balance to properly classify a 2011 EMS receipt that was posted to the permanent fund. Impact of the adjustment on beginning fund balance was as follows:

	Special Revenue Funds	Permanent Fund
December 31, 2012 Ending Fund Balance	\$583,997	\$3,731
Reclassify 2011 EMS Receipt	368	(368)
Restated Fund Balance	\$584,365	\$3,363

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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*

Green Township
Clark County
5467 Selma Pike
Springfield, Ohio 45502

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 the Green Township, Clark County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 4, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that the Township restated its January 1, 2012 fund balances.

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 opinions 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-004 and 2013-005 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 item 2013-001 through 2013-003.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2014

**GREEN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

NONCOMPLIANCE

Ohio Rev. Code §505.24(C) states, in part, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Ohio Rev. Code §507.09 states, in part, the compensation of the township fiscal officer shall be paid in equal monthly payments. If the office of township fiscal officer is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. A township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

Auditor of State Bulletin 2011-007 requires township trustees and fiscal officers paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each township trustee and township fiscal officer that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. Additionally, **Auditor of State Bulletin 2013-002** states that township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

The Fiscal Officer and the Trustees certified their time spent on various Township activities during the audit period. However, actual pay allocations did not agree to the certifications which resulted in the following variances: The financial statements were not adjusted for these errors.

**FINDING NUMBER 2013-001
 (Continued)**

2012

Fund	Payroll to be Charged per Certification	Actual Payroll Charged	Variance Over (Under)
General Fund (1000)	\$9,990	\$9,544	(\$446)
Motor Vehicle Tax (2011)		56	56
Gasoline Tax (2021)		2,068	2,068
Road & Bridge (2031)	10,207	13,780	3,573
EMS Fund (2281)	12,241	9,299	(2,942)
Fire Fund Pitchen/ Husted (2111/2191)	5,894	3,585	(2,309)
Total All Funds	<u>\$38,332</u>	<u>\$38,332</u>	<u>\$0</u>

2013

Fund	Payroll to be Charged per Certification	Actual Payroll Charged	Variance Over (Under)
General Fund (1000)	\$10,229	\$9,545	(\$684)
Motor Vehicle Tax (2011)		64	64
Gasoline Tax (2021)		4,989	4,989
Road & Bridge (2031)	15,178	10,129	(5,049)
EMS Fund (2281)	9,087	9,888	801
Fire Fund Pitchen/ Husted (2111/2191)	6,535	6,414	(121)
Total All Funds	<u>\$41,029</u>	<u>\$41,029</u>	<u>\$0</u>

The financial statements were not adjusted to properly allocate expenditures between general and special revenue funds.

Additionally, during 2012, 16 out of 44 certifications for the Trustees and Fiscal Officer had no time certified to the general fund. Similarly during 2013 the Trustees and Fiscal Officer did not certify any time to the general fund on 17 out of 48 certifications. 26% and 25% of the elected official's salary was charged to the general fund during this time.

Failure to properly allocate officials' compensation in accordance with the above Ohio Rev. Code sections, Auditor of State Bulletin 2013-002, and certifications could lead to misallocation of funds, misstated financial statements, and overspending of the Township's budget.

The Township should implement procedures to verify compensation are properly allocated based upon the information in the Ohio Rev. Code sections noted above, Auditor of State Bulletin 2013-002, and certifications prepared by Township officials.

Official's Response:

In 2013 Payroll Certifications did not completely match the salary appropriations for the year. There were several clarifications made by the State Auditor's Office which now makes clear the proper procedures to be used. In 2014, the Fiscal Officer is reallocating funds to the proper salary accounts and following procedures recommended by the State Auditor's office to make the salary payments agree with the payroll certifications submitted.

FINDING NUMBER 2013-002

NONCOMPLIANCE

Ohio Rev. Code § 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly encumber eight of twenty-five (32%) expenditures sampled. Further, eight of thirty-six (22%) expenditures tested because they were deemed significant were not properly encumbered.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used. The Township should certify purchases to which section 5705.41(D) applies by approving purchase orders prior to the expenditure commitment and receipt of invoice when at all possible. Failure to do so could result in the Township spending more than it has appropriated for a particular line item.

Official's Response:

In 2014 the Fiscal Officer is being careful to issue "Then" and "Now" certificates for expenditures when Blanket and Super Blanket Certificates don't have sufficient funds remaining for approved expenses.

FINDING NUMBER 2013-003

NONCOMPLIANCE

Ohio Rev. Code § 5705.41(B) states, in part, no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2013, the Township expended \$60 from the permanent fund. However, the Trustees did not approve appropriations for this fund

The Township should implement policies and procedures to verify that expenditures do not exceed appropriations. Failure to do so could result in the Township going in deficit spending and negative fund balances.

Official's Response:

In 2013 there was a bank error that caused \$5 per month to be deducted from the Township Permanent Fund. The error was detected and the bank refunded the entire \$60.00.

FINDING NUMBER 2013-004

MATERIAL WEAKNESS

The Township prepared its 2013 and 2012 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America. The following errors noted in the Township's financial statements were determined to be qualitatively or quantitatively material and required audit adjustments to properly present the Township's financial activity:

2012 Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances

General Fund

1. Cash and fund balances at January 1 were understated by \$7,544.
2. Cash and intergovernmental revenue were understated by \$67 in the general fund.
3. Unassigned cash balance was overstated by \$25,158 while assigned cash balance was understated by the same amount.

Special Revenue Fund

4. Cash and fund balance at January 1 were overstated by \$7,252.
5. The Township did not book principal and interest payments in the amount of \$26,858, and \$9,142, respectively.
6. Cash and charges for services receipts were understated by \$101.
7. Cash was understated and public safety expenditures were overstated by \$1,467.
8. Cash was understated and public works expenditures were overstated by \$46
9. \$97 and \$29,237 of charges for services and intergovernmental revenue, respectively were posted as property and other local taxes.
10. Cash and charges for services revenue were understated by \$325

Permanent Fund

11. Cash and fund balance at January 1 were overstated by \$319.
12. Cash and investment income were overstated by \$99.
13. Non-spendable fund balance was overstated by \$91 and restricted fund balance was understated by the same amount.

**FINDING NUMBER 2013-004
(Continued)**

2013 Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances

General Fund

1. Unassigned fund balance was overstated by \$2,614 and assigned fund balance was understated by the same amount.

Special Revenue Funds

2. Cash was overstated and public safety expenditures were understated by \$1,226.
3. \$59,029 of intergovernmental revenues was posted as property and other local taxes.
4. \$144,288 of restricted fund balance was classified as committed.

Permanent Fund

5. Cash balance was overstated health expenditures were understated by \$60.
6. Restricted fund balance was overstated by \$109 and the non-spendable fund balance was understated by the same amount.

Following errors noted were determined to be immaterial and were not adjusted on the accompanying financial statements:

2012 Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances:

1. General government expenditures were understated and cash was overstated by \$446 in the general fund.
2. \$868 in intergovernmental revenue was misclassified as property and other local taxes in the general fund.
3. Cash was understated and public safety expenditures were overstated by \$446 in the special revenue funds.
4. \$2,000 in license, permits and fees was misclassified as miscellaneous revenue in the special revenue funds.
5. \$7,121 of intergovernmental revenue was misclassified as miscellaneous revenue in the special revenue funds.

2013 Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances:

1. The Township overstated cash and understated general government expenditures by \$684 in the general fund.
2. The Township improperly classified \$1,758 of intergovernmental revenue as property and other local taxes in the general fund.
3. The Township understated cash and overstated public safety expenditures by \$684 in the special revenue funds.

The Township should establish a risk assessment process to identify internal and external events and circumstances that may occur and adversely affect an entity's ability to record, process, summarize, and report financial data consistent with management's financial statement assertions. Risk assessment includes:

- Identifying unusual events or transactions or changes in laws or accounting principles or other financial reporting requirements.
- Analyzing how these events or transactions affect financial reporting
- If the event or transaction will be recurring, determining modifications to the accounting systems or control activities to help assure properly including and reporting these matters in the financial statements.

**FINDING NUMBER 2013-004
(Continued)**

Failure to do so could result in problems associated with management's financial statement assertions going unnoticed.

Official's Response:

The Fiscal Officer was not aware that Homestead and Rollback revenue was to be posted to the Intergovernmental Revenue account. This is being corrected in 2014. The Fiscal Officer was unclear how to properly classify the funds; i.e., committed, assigned, unassigned, and restricted. Before 2014 end of year reports are completed she will verify fund classifications.

FINDING NUMBER 2013-005

MATERIAL WEAKNESS

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally, reconciliations provide the entity with an accounting of its financial position at month-end. The Township did not reconcile its books to the bank during 2012 or 2013. An outside CPA was hired during 2014 to help the Township reconcile its books. The following errors were noted in the Township's reconciliations:

- The December 31, 2012 reconciliation excluded \$13,774 in checks which cleared the bank but were not posted to the accounting system.
- The December 31, 2012 reconciliation did not account for \$866 in expenditure that was posted to the UAN system and the check was never issued.
- The December 31, 2012 reconciliation improperly included \$22,162 of outstanding checks which had cleared the bank.
- The December 31, 2013 reconciliation included \$78,362 in deposits that had cleared the bank and were properly posted to the accounting system, but were reported on the reconciliation as deposits-in-transit.
- The December 31, 2013 reconciliation included \$74,758 of outstanding checks that had cleared the bank..
- The December 31, 2013 bank reconciliation did not account for \$2,329 in overpayment to Ohio Public Employees Retirement System (OPERS) that was not posted to the accounting system.
- The Township's December 31, 2013 and 2012 bank balances did not agree to the system after adjusting for the above noted variances:
 - ❖ At December 31, 2012 there was an unknown variance of \$6,552 between the adjusted book balance and the reconciled cash balance. The bank was less than the books. The financial statements were not adjusted for this error.
 - ❖ At December 31, 2013 there was a \$7,992 variance between the adjusted book balance and the reconciled cash balance. The bank was more than the books. The financial statements were not adjusted for this error.
- The Township's checking account was over-drafted five times in fiscal year 2012 and one time in fiscal year 2013.

The Township should implement procedures to verify that monthly reconciliations between the bank balances to books are performed over all accounts and are subjected to regular independent reviews. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going unnoticed. Further, the Township should investigate the source of the variances between book and the bank and take appropriate action to eliminate these variances.

**FINDING NUMBER 2013-005
(Continued)**

Official's Response:

Bank Reconciliations were not done in 2013 monthly. Many payments were made electronically and then posted at a later date. In 2014 the electronic payments are being posted at the same time the payment is processed and electronic payments are being limited.

**GREEN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Timely Posting of Revenue and Bank Reconciliations	No	Repeated as Findings 2013-005
2011-002	Ohio Rev. Code § 5705.41(D) - Proper Certification of Expenditures	No	Repeated as Finding 2013-002
2011-003	Ohio Rev Code § 505.24 and 507.09 – Overpayment of Trustee and Fiscal Officer salaries	Yes	Findings were repaid during 2012



Dave Yost • Auditor of State

GREEN TOWNSHIP

CLARK 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
JANUARY 20, 2015**