



**DELAWARE TOWNSHIP
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008



Mary Taylor, CPA
Auditor of State

DELAWARE TOWNSHIP
DELAWARE COUNTY

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Mary Taylor, CPA
Auditor of State

Delaware Township
Delaware County
2590 Liberty Road
Delaware, Ohio 43015

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 Township 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 15, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Delaware Township
Delaware County
2590 Liberty Road
Delaware, Ohio 43015
To the Board of Trustees:

We have audited the accompanying financial statements of Delaware Township, Delaware County Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008. 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(B) and 115.56 mandate 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, 2009 and 2008 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, 2009 and 2008, 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 of Delaware Township, Delaware County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010, 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 results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 15, 2010

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Governmental Fund Types</u> | | | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 129,277 | \$ 65,321 | \$ - | \$ - | \$ 194,598 |
| Licenses, Permits, and Fees | 22,342 | | | | 22,342 |
| Intergovernmental | 131,466 | 94,997 | | | 226,463 |
| Earnings on Investments | 7,676 | 1,014 | | | 8,690 |
| Miscellaneous | 9,067 | | | | 9,067 |
| | <u>299,828</u> | <u>161,332</u> | <u>-</u> | <u>-</u> | <u>461,160</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 208,407 | | | | 208,407 |
| Public Works | | 120,906 | | | 120,906 |
| Conservation/Recreation | 47,592 | | | | 47,592 |
| Capital Outlay | 111,374 | | | | 111,374 |
| Debt Service: | | | | | |
| Redemption of Principal | | | 17,528 | | 17,528 |
| | <u>367,373</u> | <u>120,906</u> | <u>17,528</u> | <u>-</u> | <u>505,807</u> |
| Total Receipts Over/(Under) Disbursements | <u>(67,545)</u> | <u>40,426</u> | <u>(17,528)</u> | <u>-</u> | <u>(44,647)</u> |
| Other Financing Receipts / (Disbursements): | | | | | |
| Loan Proceeds | | | | | - |
| Transfers-In | | | 17,528 | | 17,528 |
| Transfers-Out | (17,528) | | | | (17,528) |
| | <u>(17,528)</u> | <u>-</u> | <u>17,528</u> | <u>-</u> | <u>-</u> |
| Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements | (85,073) | 40,426 | - | - | (44,647) |
| Fund Cash Balances, January 1 | 667,878 | 201,332 | 8,764 | 9,376 | 887,350 |
| Fund Cash Balances, December 31 | <u>\$ 582,805</u> | <u>\$ 241,758</u> | <u>\$ 8,764</u> | <u>\$ 9,376</u> | <u>\$ 842,703</u> |

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

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 133,894 | \$ 53,333 | \$ - | \$ - | \$ 187,227 |
| Licenses, Permits, and Fees | 35,619 | 50 | | | 35,669 |
| Intergovernmental | 58,420 | 91,911 | | 143,333 | 293,664 |
| Earnings on Investments | 23,606 | 5,090 | | | 28,696 |
| Miscellaneous | 17,359 | | | | 17,359 |
| Total Cash Receipts | <u>268,898</u> | <u>150,384</u> | <u>-</u> | <u>143,333</u> | <u>562,615</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 233,626 | | | | 233,626 |
| Public Works | | 100,675 | | | 100,675 |
| Conservation/Recreation | 31,214 | | | | 31,214 |
| Capital Outlay | | | | 493,885 | 493,885 |
| Debt Service: | | | | | |
| Redemption of Principal | | | 8,764 | | 8,764 |
| Total Cash Disbursements | <u>264,840</u> | <u>100,675</u> | <u>8,764</u> | <u>493,885</u> | <u>868,164</u> |
| Total Receipts Over/(Under) Disbursements | <u>4,058</u> | <u>49,709</u> | <u>(8,764)</u> | <u>(350,552)</u> | <u>(305,549)</u> |
| Other Financing Receipts / (Disbursements): | | | | | |
| Loan Proceeds | | | | 350,552 | 350,552 |
| Transfers-In | | | 17,528 | | 17,528 |
| Transfers-Out | | (17,528) | | | (17,528) |
| Total Other Financing Receipts / (Disbursements) | <u>-</u> | <u>(17,528)</u> | <u>17,528</u> | <u>350,552</u> | <u>350,552</u> |
| Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements | <u>4,058</u> | <u>32,181</u> | <u>8,764</u> | <u>-</u> | <u>45,003</u> |
| Fund Cash Balances, January 1 | <u>663,820</u> | <u>169,151</u> | <u>-</u> | <u>9,376</u> | <u>842,347</u> |
| Fund Cash Balances, December 31 | <u>\$ 667,878</u> | <u>\$ 201,332</u> | <u>\$ 8,764</u> | <u>\$ 9,376</u> | <u>\$ 887,350</u> |

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

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Delaware Township, Delaware 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 and parks and recreation maintenance. The Township contracts with Tri-Township Fire District to provide fire services and the Delaware County Emergency Medical Services to provide ambulance services.

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 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:

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

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following Debt Service Fund:

Note Payable: Bunty Station Road- Money is transferred from other permissible funds and the debt associated with the Bunty Station Road project is paid.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following capital project fund:

Ohio Public Works Commission Fund - The Township received a grant from the Ohio Public Works Commission Fund for road and bridge maintenance. This joint grant was awarded to Liberty, Concord and Delaware Township's.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the 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 2009 and 2008 budgetary activity appears in Note 3.

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

G. 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. 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:

| | 2009 | 2008 |
|-------------------------|-----------|-----------|
| Demand deposits | \$720,670 | \$767,978 |
| Certificates of deposit | 122,033 | 119,372 |
| Total deposits | 842,703 | 887,350 |

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, 2009 follows:

| 2009 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$299,827 | \$299,828 | \$1 |
| Special Revenue | 161,531 | 161,332 | (199) |
| Debt Service | 17,528 | 17,528 | 0 |
| Total | \$478,886 | \$478,688 | (\$198) |

| 2009 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$688,943 | \$384,901 | \$304,042 |
| Special Revenue | 191,622 | 120,906 | 70,716 |
| Debt Service | 17,528 | 17,528 | 0 |
| Total | \$898,093 | \$523,335 | \$374,758 |

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

| 2008 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$268,898 | \$268,898 | \$0 |
| Special Revenue | 150,384 | 150,384 | 0 |
| Debt Service | 17,528 | 17,528 | 0 |
| Capital Projects | 493,885 | 493,885 | 0 |
| Total | \$930,695 | \$930,695 | \$0 |

| 2008 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$557,941 | \$264,840 | \$293,101 |
| Special Revenue | 222,000 | 118,203 | 103,797 |
| Debt Service | 17,528 | 8,764 | 8,764 |
| Capital Projects | 493,885 | 493,885 | 0 |
| Total | \$1,291,354 | \$885,692 | \$405,662 |

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.

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.

5. Debt

Debt outstanding at December 31, 2009 was as follows:

| | Principal | Interest Rate |
|-----------------------------------|-----------|---------------|
| Ohio Public Works Commission Loan | \$324,260 | 0% |

The Township received an interest free loan from the Ohio Public Works Commission for the Bunty Station Road project for road and bridge maintenance. This was a joint project between Liberty, Concord and Delaware Townships.

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

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

| | |
|-----------|-------------------------|
| 2011 | \$17,528 |
| 2012 | \$17,528 |
| 2013 | \$17,528 |
| 2014 | \$17,528 |
| 2015-2020 | 87,640 |
| 2021-2025 | 87,640 |
| 2026-2028 | 61,340 |
| Total | <u><u>\$324,260</u></u> |

6. Retirement Systems

Township Officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2009 and 2008, OPERS members contributed 10% of their gross salaries. The Township contributed the member portion in addition to the employer portion of 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. Related Party

A Township employee is owner of a company from which the Township acquired cleaning services for the Township Hall. The Township paid \$5,100 and \$10,500 in 2009 and 2008, respectively for these services. The payments are regulated by a Board approved contract.

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Mary Taylor, CPA

Auditor of State

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

Delaware Township
Delaware County
2590 Liberty Road
Delaware, Ohio 43015

To the Board of Trustees:

We have audited the financial statements of Delaware Township, Delaware County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 15, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 finding 2009-006 described in the accompanying schedule of findings to be a material weakness.

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 finding 2009-005 described in the accompanying schedule of findings to be a significant deficiency.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 15, 2010.

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.

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



Mary Taylor, CPA
Auditor of State

September 15, 2010

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2009-001

Material Noncompliance – Finding for Recovery

On November 17, 2009, Delaware Township hired Anthony Amato Jr. to perform duties prescribed by the Township. During employment, Mr. Amato was overpaid by the Township.

The overpayments were due to the following:

1. Holiday pay issued to Mr. Amato.

According to the Delaware Township Employee Policy Manual, **Holiday Leave** section states that when an employee has six months full time continuous service prior to the month in which a holiday occurs, the employee shall be entitled to eight hours of holiday pay.

Mr. Amato was paid for the holiday on January 1, 2010, which was within six months of his hire date.

2. Hours paid that exceeded the hours documented on the timesheets.

The hours paid by the Fiscal Officer exceeded the hours reported on three out of six time sheets for Anthony Amato Jr. between November 17, 2009 and May 17, 2010.

| Check Date | Actual Gross Payroll Paid | Gross Payroll Based on Hours Reported | Total Overpayment |
|------------|---------------------------|---------------------------------------|-------------------|
| 1/8/2010 | \$3,243 | \$2,876 | \$367 |
| 3/14/2010 | \$3,907 | \$3,240 | \$667 |
| 4/18/2010 | \$3,551 | \$3,371 | \$180 |
| | | Total | \$ 1,214 |

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Anthony Amato Jr. former Township Employee, in the amount of \$1,214 in favor of Delaware Township's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co. (1929)*, 120 Ohio St. 47; 1980 Op. Att'y Gen. No 80-074; Ohio Revised Code Section 9.39; *State, ex. rel. Village of Linndale v. Masten (1985)*, 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued) |
|--|

FINDING NUMBER 2009-001 (continued)

Material Noncompliance – Finding for Recovery (continued)

Additionally, Phyllis Amato, Fiscal Officer, and her bonding company, Selective Insurance Company of America, will be jointly and severally liable in the amount of \$1,214 and in favor of Delaware Township's General Fund to the extent that recovery is not obtained from Anthony Amato Jr.

FINDING NUMBER 2009-002

Material Noncompliance – Finding for Recovery

Anthony Amato Jr., former Township employee, was authorized by the Township to purchase items for Township business utilizing the Township credit card or ordering items from vendors. In addition the Township Trustees signed checks in advance for the fiscal officer to issue for expenditures incurred between Board meetings. One pre-signed check was used to purchase a laptop computer and accessories from Best Buy that was not for Township purposes. Below are purchases incurred by Anthony Amato Jr. between November 17, 2009 and May 17, 2010 that were not for a proper public purpose.

| Check Number | Date | Description | Vendor | Unallowable Amount |
|--------------|-----------|---|----------|--------------------|
| 4464 | 12/1/2009 | Personal items purchased with the Township credit card from various vendors | Various | \$48 |
| 4519 | 1/18/2010 | Personal items purchased with the Township credit card from various vendors | Various | 675 |
| 4541 | 1/29/2010 | Laptop computer and accessories. | Best Buy | 1,004 |
| 4566 | 2/14/2010 | Personal items purchased with township credit card through various vendors | various | 796 |
| 4592 | 3/14/2010 | Personal items purchased with township credit card through various vendors | various | 642 |
| | | | Total | \$3,165 |

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Anthony Amato Jr., in the amount of \$3,165 in favor of Delaware Township's General Fund.

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(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 2009-002 (continued)

Material Noncompliance – Finding for Recovery (continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co. (1929)*, 120 Ohio St. 47; 1980 Op. Att'y Gen. No 80-074; Ohio Revised Code Section 9.39; *State, ex. rel. Village of Linndale v. Masten (1985)*, 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Additionally, Phyllis Amato, Fiscal Officer, and her bonding company, Selective Insurance Company of America, will be jointly and severally liable in the amount of \$3,165 and in favor of Delaware Township's General Fund to the extent that recovery is not obtained from Anthony Amato Jr.

We recommend the Township Trustees refrain from signing checks in advance and sign them only after they have been completely filled out by the Township's Fiscal Officer through the Uniform Accounting Network to ensure proper accounting over all Township funds.

FINDING NUMBER 2009-003

Material Noncompliance

Delaware Township's Personnel Policy Manual, Hours and Compensation section states that:

- Particular employee duties, obligations and areas of responsibility are defined in job descriptions and/or assignment or directive of the Board of Trustees.
- Job openings may be posted or advertised at the discretion of the Board of Trustees or the Township Fiscal Officer. The Board of Trustees retains the sole right to determine the qualifications desired for the job and to establish employment criteria, determine the weight attributed to each employment criteria and the right to evaluate and assess the qualifications of all applicants.
- The regular work schedule for full-time employees will be arranged by the Board of Trustees and will normally average forty (40) hours per work week and eight (8) hours per day.
- An employee who desires to work or is required to work more than forty hours in any calendar week must have the overtime work approved in advance by the Board of Trustees. All overtime work must be reflected on an employee's timesheet. No overtime employee shall begin work prior to his/her scheduled work hours or continue to work after his/her scheduled work hours or during a scheduled lunch period without prior approval of the Board of Trustees. The Board of Trustees shall be responsible for monitoring overtime work and for approving all time worked on an employee's timesheet.
- Employees will receive overtime compensation only for work hours which are immediately necessary to the operation of the Township and authorized by the Board of Trustees.
- Employees are required to sign timesheets, certifying its accuracy.

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(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 2009-003 (continued)

Material Noncompliance (continued)

The following internal control weaknesses were noted payroll authorization and payment process of the Township.

- No timesheets were available for two out of eight payroll periods tested for employees of the Township.
- Two out of five timesheets tested were not signed by employee Anthony Amato for hours worked from November 17, 2009 through May 17, 2010.
- Two out of five of Anthony Amato Jr.'s timesheets from November 17, 2009 through May 17, 2010 were not signed by a Trustee signifying approval of the timesheets before the issuance payroll checks.
- Overtime hours documented on four out of five of Anthony Amato Jr's timesheets from November 17, 2009 through May 17, 2010 were not approved by the Trustees prior to the hours being worked.

As noted in Finding 2009-001, there were payroll overpayments made to Anthony Amato Jr. The Township's system of internal controls should ensure the correct payroll amount is approved and paid for work necessary to the Township's operations. Due care should be used in ensuring that all timesheets properly reflect actual hours worked or leave hours earned in accordance to the Township's Personal Policy Manual and are related to defined responsibilities of each employee.

We recommend the Township put procedures in place to ensure payments made to employees are correct and accurate by following Board approved policies. Proper steps should be taken when hiring an employee to ensure the employee is the best candidate for the position and the employee and Township agree on the duties of the job. Employees need to ensure the accuracy of their timesheets by reviewing them and signing off attesting to the integrity of the information provided. The Board of Trustees should also review and approve work performed and hours spent on every employee's timesheets.

FINDING NUMBER 2009-004

Material Noncompliance

Ohio Revised Code § 149.351 requires that all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 through 149.42.

The Township did not implement a credit card policy that defines authorized users and required documentation to be maintained to support all purchases made by Township official's when utilizing the Township's credit card. The Township incurred \$13,166 in credit card expenditures between December 1, 2009 and June 19, 2010 and \$6,693 of those expenditures were not accompanied by detailed receipts.

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(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 2009-004 (continued)

Material Noncompliance (continued)

As noted in Finding 2009-002, the Township's credit card was used to purchase items that were not for a proper public purpose. Due care should be used in ensuring that all credit card transactions are properly supported and approved prior to payment of the expenditures.

We recommend the Township define the use of the credit card stipulating who the approved users are, what expenditures are allowed to be made with it along with monetary limitations when using the credit card. Further, we recommend the Township put procedures into place to ensure documentation and approval of individual credit card expenditures are complete and accurate before payment is made to the credit card vendor.

FINDING NUMBER 2009-005

Significant Deficiency

The Board of Trustees should monitor the financial data of the Township. Monitoring comprises of regular management activities established to oversee whether management's financial objectives are being achieved. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms to the users' expectations. Effective monitoring controls should identify unexpected results or exceptions, investigate underlying causes, and take corrective action.

During the audit period, the Board approved monthly expenditures incurred by the Township for operations. While important, approving individual expenditures does not provide the necessary detail needed to have effective monitoring controls, such as reviewing the activity of all funds, fund balances, investment portfolio, and budget versus actual information. Lack of effective legislative monitoring may lead to errors, irregularities, or misappropriation of the Township funds.

In addition, the Township does not have policies or procedures over the recording of financial transactions to the accounting records or the financial statements as evidenced in finding 2009-006.

It is vital that the Board of Trustees provide an oversight function in an entity that lacks segregation of duties as all accounting functions and reporting of the Township are controlled solely by the Fiscal Officer.

We recommend the Board receive monthly detailed financial data reports for its review. These reports should include a summary of all funds revenues, expenditures, and fund balances, investment portfolio, and budget versus actual reports. Additionally, we recommend the minutes document that the Fiscal Officer's Financial Packet is given to the Board for review each month. As noted in Finding 2009-006 the Township should adopt policies and procedures including a final review of the financial statements and note disclosures by the fiscal officer and governing board to identify and correct errors and omissions.

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(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 2009-006

Material Weakness

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

Three audit adjustments and reclassifications were posted to the Township's December 31, 2009 and 2008 financial statements and, where applicable, the accounting records to accurately reflect account balances.

These adjustments and reclassifications ranged from \$8,764 to \$350,552. Below are descriptions of the errors included on the financial statements provided by the client.

1. Misclassification of receipt of note proceeds.
2. Improper posting to reserve for encumbrances.
3. Misclassification of revenue received from a governmental agency.

The adjustments and reclassifications identified during the audit should be reviewed by the fiscal officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Township should adopt policies and procedures, including a final review of the financial statements and note disclosures by the fiscal officer and governing board to identify and correct errors and omissions.

Officials' Response to Findings 2009-001 thru 2009-006

Delaware Township Officials strive to provide accurate reports and maintain good internal control. We have begun to implement practices, policies and procedures to insure accurate information. Any questions regarding requirements which need to be met will be directed to the Auditor of State's Support Staff to insure that requirements are met.

**DELAWARE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2007-001 | Ohio Revised Code § 5705.39--Appropriations exceed Estimated Resources | Yes | N/A |
| 2007-002 | Ohio Revised Code § 5705.41 (B)— Expenditures exceeding appropriations | Yes | N/A |

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Mary Taylor, CPA
Auditor of State

DELAWARE TOWNSHIP

DELAWARE 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
DECEMBER 9, 2010**