



Mary Taylor, CPA
Auditor of State

**DAMASCUS TOWNSHIP
HENRY COUNTY**

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Mary Taylor, CPA
Auditor of State

Damascus Township
Henry County
Q-245 County Road 1
McClure, Ohio 43534-9712

To the Board of Trustees:

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

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

Mary Taylor, CPA
Auditor of State

September 10, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Damascus Township
Henry County
Q-245 County Road 1
McClure, Ohio 43534-9712

To the Board of Trustees:

We have audited the accompanying financial statements of Damascus Township, Henry County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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, 2008 and 2007 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, 2008 and 2007, 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 Damascus Township, Henry County, as of December 31, 2008 and 2007, 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 10, 2009, 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.



Mary Taylor, CPA
Auditor of State

September 10, 2009

**DAMASCUS TOWNSHIP
HENRY 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>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$68,177	\$101,160			\$169,337
Charges for Services		101,234			101,234
Licenses, Permits, and Fees	350				350
Fines and Forfeitures	4	1,740			1,744
Intergovernmental	597,235	122,820			720,055
Earnings on Investments	6,599	1,444		\$1,797	9,840
Miscellaneous	139	3,670			3,809
Total Cash Receipts	<u>672,504</u>	<u>332,068</u>		<u>1,797</u>	<u>1,006,369</u>
Cash Disbursements:					
Current:					
General Government	90,630	501			91,131
Public Safety		100,927			100,927
Public Works		28,634			28,634
Health		4,516			4,516
Capital Outlay		28,791			28,791
Total Cash Disbursements	<u>90,630</u>	<u>163,369</u>			<u>253,999</u>
Total Receipts Over Disbursements	<u>581,874</u>	<u>168,699</u>		<u>1,797</u>	<u>752,370</u>
Fund Cash Balances, January 1	<u>116,341</u>	<u>307,815</u>	<u>51,307</u>	<u>81,162</u>	<u>556,625</u>
Fund Cash Balances, December 31	<u>\$698,215</u>	<u>\$476,514</u>	<u>\$51,307</u>	<u>\$82,959</u>	<u>\$1,308,995</u>

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

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$76,835	\$82,493			\$159,328
Charges for Services		52,874			52,874
Licenses, Permits, and Fees	1,000				1,000
Fines and Forfeitures	46				46
Intergovernmental	62,607	118,410			181,017
Earnings on Investments	3,164	353		\$3,963	7,480
Miscellaneous	560	20,938			21,498
Total Cash Receipts	<u>144,212</u>	<u>275,068</u>		<u>3,963</u>	<u>423,243</u>
Cash Disbursements:					
Current:					
General Government	98,831				98,831
Public Safety	31,529	43,213			74,742
Public Works	7,428	18,380			25,808
Health		5,646			5,646
Capital Outlay	1,000	210,188			211,188
Total Cash Disbursements	<u>138,788</u>	<u>277,427</u>			<u>416,215</u>
Total Receipts Over/(Under) Disbursements	<u>5,424</u>	<u>(2,359)</u>		<u>3,963</u>	<u>7,028</u>
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets		4,348			4,348
Transfers-In		60,000			60,000
Transfers-Out	(60,000)				(60,000)
Total Other Financing Receipts / (Disbursements)	<u>(60,000)</u>	<u>64,348</u>			<u>4,348</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(54,576)	61,989		3,963	11,376
Fund Cash Balances, January 1	170,917	245,826	51,307	77,199	545,249
Fund Cash Balances, December 31	<u>\$116,341</u>	<u>\$307,815</u>	<u>\$51,307</u>	<u>\$81,162</u>	<u>\$556,625</u>

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

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Damascus Township, Henry County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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.

The Township values certificates of deposit and repurchase agreements at cost.

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:

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Fire Protection Special Levy Fund – This fund receives property tax money for providing fire protection to the Township.

3. Capital Project Funds

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

Fire Equipment Replacement Fund - This fund receives revenue through Transfers from the General Fund.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Lowery Trust 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 cemeteries.

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. 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 2008 and 2007 budgetary activity appears in Note 3.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(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.

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:

	2008	2007
Demand deposits	\$127,615	\$127,158
Certificates of deposit	730,206	171,238
Total deposits	857,821	298,396
Repurchase agreement	451,174	258,229
Total deposits and investments	\$1,308,995	\$556,625

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

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,500	\$672,504	\$559,004
Special Revenue	309,950	332,068	22,118
Capital Projects	2,700		(2,700)
Permanent	3,600	1,797	(1,803)
Total	\$429,750	\$1,006,369	\$576,619

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,860	\$90,630	(\$3,770)
Special Revenue	504,115	163,369	340,746
Total	\$590,975	\$253,999	\$336,976

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$123,692	\$144,212	\$20,520
Special Revenue	267,822	339,416	71,594
Capital Projects	4,969		(4,969)
Permanent	2,235	3,963	1,728
Total	\$398,718	\$487,591	\$88,873

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,200	\$198,788	\$37,412
Special Revenue	483,050	277,427	205,623
Total	\$719,250	\$476,215	\$243,035

Contrary to Ohio law, in 2008, homestead and rollback monies were posted entirely to the General Fund. These monies should have been allocated to the Road and Bridge (\$1,291) and the Special Levy Fire Protection funds (\$5,888) and in 2007, the Township credited \$1,323 of interest earnings to the General Fund, which should have been posted to the Lowery Trust Fund (a permanent fund).

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. Retirement System

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

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

6. Risk Management

Risk Pool Membership

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2006	\$17,653
2007	\$17,414
2008	\$12,383

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

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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*

Damascus Township
Henry County
Q-245 County Road 1
McClure, Ohio 43534-9712

To the Board of Trustees:

We have audited the financial statements of Damascus Township, Henry County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 10, 2009 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2008-004 through 2008-006 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 10, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 10, 2009.

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 10, 2009

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Finding for Recovery Repaid Under Audit

Ohio Revised Code, § 505.27, provides that each township trustee shall be compensated in a given amount based on the population of the township in question and the year.

In 2008, the Damascus Township Trustees were entitled to annual gross compensation in the amount of \$10,288. Each Trustee's withholdings (tax/PERS/Medicare) were then deducted from the gross amount of compensation. A calculation error, however, resulted in the Township paying a portion of the withholding for each Trustee. As a result, Eric Johnson, Trustee, was overcompensated in the amount of \$298.34.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Eric Johnson in the amount of \$298.34, in favor of the General Fund of Damascus Township.

Mr. Johnson reimbursed the Township \$298.34 on September 10, 2009.

FINDING NUMBER 2008-002

Finding for Recovery Repaid Under Audit

Ohio Revised Code, § 505.27, provides that each township trustee shall be compensated in a given amount based on the population of the township in question and the year.

In 2008, the Damascus Township Trustees were entitled to annual gross compensation in the amount of \$10,288. Each Trustee's withholdings (tax/PERS/Medicare) were then deducted from the gross amount of compensation. A calculation error, however, resulted in the Township paying a portion of the withholding for each Trustee. As a result, Greg Smith, Trustee, was overcompensated in the amount of \$298.34.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Greg Smith in the amount of \$298.34, in favor of the General Fund of Damascus Township.

Mr. Smith reimbursed the Township \$298.34 on September 10, 2009.

FINDING NUMBER 2008-003

Finding for Recovery Repaid Under Audit

Ohio Revised Code, § 505.27, provides that each township trustee shall be compensated in a given amount based on the population of the township in question and the year.

**FINDING NUMBER 2008-003
(Continued)**

In 2008, the Damascus Township Trustees were entitled to annual gross compensation in the amount of \$10,288. Each Trustee's withholdings (tax/PERS/Medicare) were then deducted from the gross amount of compensation. A calculation error, however, resulted in the Township paying a portion of the withholding for each Trustee. As a result, Victor Johnson, Trustee, was overcompensated in the amount of \$298.34.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Victor Johnson in the amount of \$298.34, in favor of the General Fund of Damascus Township.

Mr. Johnson reimbursed the Township \$298.34 on September 10, 2009.

FINDING NUMBER 2008-004

Noncompliance Citation/Material Weakness

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

During 2008, homestead and rollback monies were posted entirely to the General fund. These monies should have been allocated to the Road and Bridge (\$1,291) and the Special Levy Fire Protection funds (\$5,888).

The Township Fiscal Officer posted this adjustment to the Township's records and they are reflected in the accompanying financial statements. We recommend all financial transactions be included in the proper account codes as specified in the Ohio Township Handbook issued by the Auditor of State. In addition, the Township should adopt procedures and policies including a periodic review of the records for proper posting of financial transactions, as well as, a final review of the financial statements by the Fiscal Officer and Trustees to ensure errors are minimized.

FINDING NUMBER 2008-005

Noncompliance Citation/Material Weakness

Ohio Revised Code, § 5705.131, provides the principal of a nonexpendable trust (permanent) fund may be invested and the investment earning on the principal shall be credited to the fund.

In 2007, the Township credited \$1,323 of interest earnings to the General Fund, which should have been posted to the Lowery Trust Fund (a permanent fund). This could result in restricted revenues being used for purposes other than was intended by the donor. The Fiscal Officer posted this adjustment to the respective funds and it is reflected in the accompanying financial statements.

We recommend interest earnings attributable to permanent funds be credited to them.

FINDING NUMBER 2008-006

Material Weaknesses/Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

1. In 2007 and 2008, "Intergovernmental Revenues" of \$10,299 and \$20,458, respectively, were classified as "Taxes" in the General Fund.
2. In 2007, "Miscellaneous Revenues," "Intergovernmental Revenue," and "Sale of Fixed Assets" of \$3,170, \$1,750, and \$4,348, respectively were classified as "Other Financing Sources" in the Fire Levy Fund.
3. In 2008, "Intergovernmental Revenues" of \$14,894 were classified as "Taxes" (\$6,894) and "Miscellaneous Revenue" (\$8,000) in the Fire Levy Fund.
4. In 2007, "Intergovernmental Revenues" of \$2,258 and \$6,759 were classified as "Taxes" in the Road and Bridge and the Fire Levy Funds, respectively.
5. In 2008, "Public Works" and "Public Safety" expenditures of \$19,597 and \$19,249, respectively, were classified as "General Government" expenditures in the Road and Bridge Fund and Fire Levy Fund, respectively.

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

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review of Township Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

Officials' Response:

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

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**DAMASCUS TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Finding for Recovery – Reimbursement of Trustee Insurance	Yes	
2006-002	Ohio Revised Code § 5705.10 – Fire Levy money was posted to the Road and Bridge fund and estate taxes were posted to the General Fund.	No	Not Corrected - Reissued as a Finding 2008-004 in this report.
2006-003	Ohio Revised Code § 5705.131 – Cemetery Trust Fund money was posted to the General Fund.	No	Not Corrected – Reissued as Finding 2008-005 in this report.



Mary Taylor, CPA
Auditor of State

DAMASCUS TOWNSHIP

HENRY 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
OCTOBER 8, 2009**