



Dave Yost • Auditor of State

**DAMASCUS TOWNSHIP
HENRY COUNTY**

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Dave Yost • 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 3, 2011

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Dave Yost • 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, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, 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, Ohio as of December 31, 2010 and 2009, 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 October 3, 2011, 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.



Dave Yost
Auditor of State

October 3, 2011

**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, 2010**

| | <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 | \$76,078 | \$121,399 | | | \$197,477 |
| Charges for Services | | 113,521 | | | 113,521 |
| Licenses, Permits, and Fees | 250 | | | | 250 |
| Fines and Forfeitures | 26 | 384 | | | 410 |
| Intergovernmental | 40,522 | 125,157 | | | 165,679 |
| Earnings on Investments | 5,056 | 1,136 | | \$93 | 6,285 |
| Miscellaneous | 107 | 1,570 | | | 1,677 |
| Total Cash Receipts | <u>122,039</u> | <u>363,167</u> | | <u>93</u> | <u>485,299</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 109,254 | 48,305 | | | 157,559 |
| Public Safety | | 89,691 | | | 89,691 |
| Public Works | | 19,211 | | | 19,211 |
| Health | | 3,861 | | | 3,861 |
| Capital Outlay | | 236,286 | | | 236,286 |
| Total Cash Disbursements | <u>109,254</u> | <u>397,354</u> | | | <u>506,608</u> |
| Total Receipts Over/(Under) Disbursements | 12,785 | (34,187) | | 93 | (21,309) |
| Fund Cash Balances, January 1 | <u>763,218</u> | <u>492,176</u> | <u>51,307</u> | <u>86,045</u> | <u>1,392,746</u> |
| Fund Cash Balances, December 31 | <u>\$776,003</u> | <u>\$457,989</u> | <u>\$51,307</u> | <u>\$86,138</u> | <u>\$1,371,437</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, 2009**

| | <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 | \$73,847 | \$115,451 | | | \$189,298 |
| Charges for Services | | 60,060 | | | 60,060 |
| Licenses, Permits, and Fees | 200 | | | | 200 |
| Fines and Forfeitures | 153 | 783 | | | 936 |
| Intergovernmental | 93,655 | 105,258 | | | 198,913 |
| Earnings on Investments | 20,797 | 1,275 | | \$3,086 | 25,158 |
| Miscellaneous | 1,026 | 13,535 | | | 14,561 |
| Total Cash Receipts | <u>189,678</u> | <u>296,362</u> | | <u>3,086</u> | <u>489,126</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 124,675 | 39,655 | | | 164,330 |
| Public Safety | | 83,422 | | | 83,422 |
| Public Works | | 16,945 | | | 16,945 |
| Health | | 11,860 | | | 11,860 |
| Other | | 40 | | | 40 |
| Capital Outlay | | 128,778 | | | 128,778 |
| Total Cash Disbursements | <u>124,675</u> | <u>280,700</u> | | | <u>405,375</u> |
| Total Receipts Over Disbursements | 65,003 | 15,662 | | 3,086 | 83,751 |
| Fund Cash Balances, January 1 | 698,215 | 476,514 | 51,307 | 82,959 | 1,308,995 |
| Fund Cash Balances, December 31 | <u>\$763,218</u> | <u>\$492,176</u> | <u>\$51,307</u> | <u>\$86,045</u> | <u>\$1,392,746</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, 2010 AND 2009**

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, 2010 AND 2009
(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. The Township did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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

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

| | | |
|-----------------|-------------|-------------|
| | 2010 | 2009 |
| Demand deposits | \$1,371,437 | \$1,392,746 |

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, 2010 and 2009 follows:

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$180,000 | \$122,039 | (\$57,961) |
| Special Revenue | 293,000 | 363,167 | 70,167 |
| Capital Projects | 2,200 | | (2,200) |
| Permanent | 3,000 | 93 | (2,907) |
| Total | \$478,200 | \$485,299 | \$7,099 |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$123,870 | \$109,254 | \$14,616 |
| Special Revenue | 781,719 | 397,354 | 384,365 |
| Permanent | 5,000 | | 5,000 |
| Total | \$910,589 | \$506,608 | \$403,981 |

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

| 2009 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$108,589 | \$189,678 | \$81,089 |
| Special Revenue | 304,000 | 296,362 | (7,638) |
| Capital Projects | 2,700 | | (2,700) |
| Permanent | 1,500 | 3,086 | 1,586 |
| Total | \$416,789 | \$489,126 | \$72,337 |

| 2009 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$122,532 | \$124,675 | (\$2,143) |
| Special Revenue | 674,153 | 280,700 | 393,453 |
| Total | \$796,685 | \$405,375 | \$391,310 |

Contrary to Ohio law, the Township transferred \$129,016 from the General Fund to Fire Protection Levy Fund without approval of the Board of Trustees.

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.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Risk Management

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$12,000

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Risk Management (Continued)

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

| <u>Contributions to OTARMA</u> | |
|---------------------------------------|--------------------|
| <u>2010</u> | <u>2009</u> |
| \$16,369 | \$12,118 |

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



Dave Yost • Auditor of State

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

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, 2010 and 2009, and have issued our report thereon dated October 3, 2011 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-005 and 2010-006 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 3, 2011.

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



Dave Yost
Auditor of State

October 3, 2011

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Finding for Recovery Repaid Under Audit

Ohio Revised Code, § 505.601, states that is the Board of Township Trustees does not procure an insurance policy or group health care services as provides in Ohio Rev. Code §505.60, the Board of Township Trustees may reimburse any township officer or employee for each out of pocket premium attributable to the coverage provided for that officer or employee for benefits described in Division (A) of §505.60 of the Ohio Rev. Code. In order to provide reimbursement to township officials and employees for out of pocket expenses attributable to healthcare cost, the Board of Township Trustees must adopt a resolution stating that the Township has chosen not to procure a health care plan under Ohio Rev. Code §505.60 and has chosen instead to reimburse its officer and employees for each out of pocket premium attributable to their health care coverage, the resolution must provide for a uniform maximum monthly or yearly amount beyond which the Township will not reimburse the officer or employee, and the resolution must state the specific benefits listed in Division (A) of Ohio Rev. Code §505.60 for which the Township will reimburse its officers and employees. The Township may only reimburse for the township officer or employee only for those benefits specifically listed in Division (A) of Ohio Rev. Code §505.60.

The Township passed a resolution stating that the Township will not procure health insurance for its officials, clerks, and employees but instead reimburse them for out of pocket premiums attributed to procuring their own health insurance. The resolution also limited reimbursements to medical and health insurance and a yearly maximum reimbursement amount of \$18,500. The Township reimbursed Greg Smith, Township Trustee for insurance bills totaling \$21,677 during 2010 resulting in an overpayment of \$3,177.

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 Greg Smith and his bonding company, the Ohio Township Association Risk Management Authority jointly and severally in the amount of \$3,177 and in favor of the Damascus Township General Fund.

On September 12, 2011 Mr. Smith reimbursed the Township \$3,177.

FINDING NUMBER 2010-002

Finding for Recovery Repaid Under Audit

Ohio Revised Code, § 505.601, states that is the Board of Township Trustees does not procure an insurance policy or group health care services as provides in Ohio Rev. Code §505.60, the Board of Township Trustees may reimburse any township officer or employee for each out of pocket premium attributable to the coverage provided for that officer or employee for benefits described in Division (A) of §505.60 of the Ohio Rev. Code. In order to provide reimbursement to township officials and employees for out of pocket expenses attributable to healthcare cost, the Board of Township Trustees must adopt a resolution stating that the Township has chosen not to procure a health care plan under Ohio Rev. Code §505.60 and has chosen instead to reimburse its officer and employees for each out of pocket premium attributable to their health care coverage, the resolution must provide for a uniform maximum monthly or yearly amount beyond which the Township will not reimburse the officer or employee, and the resolution must state the specific benefits listed in Division (A) of Ohio Rev. Code §505.60 for which the Township will reimburse its officers and employees. The Township may only reimburse for the township officer or employee only for those benefits specifically listed in Division (A) of Ohio Rev. Code §505.60.

**FINDING NUMBER 2010-002
(Continued)**

The Board of Township Trustees passed a resolution stating that the Township will not provide health care for its officers, clerk, and employees but will reimburse them for out of pocket premiums attributable to their health care coverage. The resolution also states that the Township will only reimburse for medical and health insurance not to exceed \$18,500 yearly. The Township reimbursed Terence Green, Township Fiscal Officer for various medical, dental, and chiropractic bills totaling \$805 during 2010 in addition to the out of pocket premium attributable to the cost of his medical insurance.

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 Terence Green and his bonding company, the Ohio Township Association Risk Management Authority jointly and severally in the amount of \$805, and in favor of the Damascus Township General Fund.

On September 12, 2011 Mr. Green reimbursed the Township \$805.

FINDING NUMBER 2010-003

Finding for Recovery Repaid Under Audit

Ohio Attorney General Opinion 1958-2087 states Township officials may not be reimbursed from public funds for expenses incurred by them in the use of their personally owned automobiles when such automobiles are used by them within the township in furtherance of their public duties.

Terence Green is the Fiscal Officer for the Township and submitted mileage reimbursements for travel within the Township. He was reimbursed \$487 in January 25, 2009 and \$630 in January 24, 2010, and \$426 in March of 2011 for miles driven within the Township.

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 Terence Green and his bonding company the Ohio Township Association Risk Management Authority jointly and severally in the amount of \$1,543 and in favor of the Damascus Township General Fund.

On September 12, 2011 Mr. Green reimbursed the Township \$1,543.

FINDING NUMBER 2010-004

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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.

**FINDING NUMBER 2010-004
(Continued)**

1. "Then and Now" Certificate – If the Fiscal Officer can certify 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 an appropriate fund free from any previous encumbrances, the Township Trustees can authorize the drawing of a warrant for the payment of the amount due. The Township Trustees have thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance 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 Trustees Council.

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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.

Seventy-six percent of the transactions tested were not certified by the Fiscal Officer at the time the commitments were incurred and there was no evidence any of the exceptions noted above had been used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 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 the Fiscal Officer certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) of the Ohio Revised Code applies. The most convenient certification method is to use purchase orders that include the certification language that section 5705.41(D) of the Ohio Revised Code requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of section 5705.41(D) of the Ohio Revised Code are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2010-005

Noncompliance Citation/Material Weakness

Ohio Revised Code, § 5705.14, requires the Board of Trustees to approve all transfers made by the Township. A transfer of \$129,016 from the General Fund to the Fire Fund was made without approval of the Board of Trustees.

An audit adjustment was made to reverse this transfer on the financial statements and in the Township's accounting system.

We recommend the Board of Trustees approve all transfers before the transfer is made by the Fiscal Officer.

FINDING NUMBER 2010-006

Material Weakness – Financial Reporting

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

1. Fund to fund adjustments were recorded by the fiscal officer which changed fund balances at January 1, 2009 of the General Fund by \$18,226, Cemetery Fund by \$6,385, Fire Protection Levy Fund by \$326, Fire Equipment 1 Fund by \$14,714, Fire Equipment 2 Fund by \$3,553; and the Cemetery Trust Fund by \$6,358 and at January 1, 2010 of the General Fund by \$3,511, Cemetery Fund by \$310, and the Fire Fund by \$3,201.
2. In 2009 and 2010, homestead and rollback monies were classified as taxes instead of Intergovernmental revenues within the General fund \$8,211 in 2009 and \$14,504 in 2010, Road and Bridge fund, \$1,988 in 2009 and \$3,594 in 2010, and Fire Protection Levy Fund, \$7,495 in 2009 and \$14,894 in 2010.
3. In 2009, Fire Department and Emergency Medical Services Grants of \$5,498 were posted as Miscellaneous Revenue in Fire Protection Levy Fund instead of Intergovernmental revenues.

These adjustments have been posted to the Township's financial statements and where applicable the Township's accounting records.

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 the 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.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2008-001 | Finding for Recovery – overpayment of compensation to a Trustee. | Yes | |
| 2008-002 | Finding for Recovery – overpayment of compensation to a Trustee. | Yes | |
| 2008-003 | Finding for Recovery – overpayment of compensation to a Trustee. | Yes | |
| 2008-004 | ORC Section 5705.10(D) – improper fund allocation of homestead and rollback monies | Yes | |
| 2008-005 | ORC Section 5705.131 - Interest credited to permanent fund | Yes | |
| 2008-006 | Financial Reporting - Certain errors required adjustment to financial statements. | No | Reissued as Finding 2010-006 in this report. |

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Dave Yost • 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 18, 2011**