



Dave Yost • Auditor of State

GOOD HOPE TOWNSHIP
HOCKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	23

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Good Hope Township
Hocking County
26885 Darl Road
Rockbridge, Ohio 43149

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2013

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 76,420	\$ 141,532	\$ 60,699	\$ 278,651
Intergovernmental	37,735	116,688	6,439	160,862
Earnings on Investments	186	197		383
Miscellaneous	100	4,714		4,814
<i>Total Cash Receipts</i>	<u>114,441</u>	<u>263,131</u>	<u>67,138</u>	<u>444,710</u>
Cash Disbursements				
Current:				
General Government	125,809			125,809
Public Safety		75,440		75,440
Public Works		190,141		190,141
Health				0
Capital Outlay		120,529		120,529
Debt Service:				
Principal Retirement		55,315	52,000	107,315
Interest and Fiscal Charges		2,331	14,538	16,869
<i>Total Cash Disbursements</i>	<u>125,809</u>	<u>443,756</u>	<u>66,538</u>	<u>636,103</u>
<i>Net Change in Fund Cash Balances</i>	(11,368)	(180,625)	600	(191,393)
<i>Fund Cash Balances, January 1</i>	<u>49,224</u>	<u>248,793</u>	<u>932</u>	<u>298,949</u>
Fund Cash Balances, December 31				
Nonspendable		96,680		96,680
Restricted		(28,512)		(28,512)
Unassigned (Deficit)	37,856		1,532	39,388
<i>Fund Cash Balances, December 31</i>	<u>\$37,856</u>	<u>\$68,168</u>	<u>\$1,532</u>	<u>\$107,556</u>

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

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 71,620	\$ 129,670	\$	\$ 201,290
Intergovernmental	21,123	115,615		136,738
Earnings on Investments	326	196		522
Miscellaneous	1,037	872		1,909
<i>Total Cash Receipts</i>	<u>94,106</u>	<u>246,353</u>	<u>0</u>	<u>340,459</u>
Cash Disbursements				
Current:				
General Government	106,811			106,811
Public Safety	6,011	48,817		54,828
Public Works		190,633		190,633
Capital Outlay		97,700		97,700
Debt Service:				
Principal Retirement	5,303	16,016		21,319
Interest and Fiscal Charges		3,305		3,305
<i>Total Cash Disbursements</i>	<u>118,125</u>	<u>356,471</u>	<u>0</u>	<u>474,596</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,019)</u>	<u>(110,118)</u>	<u>0</u>	<u>(134,137)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes		260,000		260,000
Other Financing Sources	59			59
<i>Total Other Financing Receipts (Disbursements)</i>	<u>59</u>	<u>260,000</u>	<u>0</u>	<u>260,059</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,960)</u>	<u>149,882</u>	<u>0</u>	<u>125,922</u>
<i>Fund Cash Balances, January 1</i>	<u>73,184</u>	<u>98,911</u>	<u>932</u>	<u>173,027</u>
Fund Cash Balances, December 31				
Nonspendable		266,863		266,863
Restricted		(18,070)		(18,070)
Unassigned (Deficit)	49,224		932	50,156
<i>Fund Cash Balances, December 31</i>	<u>\$49,224</u>	<u>\$248,793</u>	<u>\$932</u>	<u>\$298,949</u>

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

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Good Hope Township, Hocking 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, fire protection and emergency medical 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.

The Township had one primary, interest bearing checking account during the audit period.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 for constructing, maintaining, and repairing Township roads.

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire District Levy Fund - This fund receives property tax money to provide emergency services.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Note Retirement Fund – This fund receives property tax money to pay debt for purchase of a fire truck.

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 2012 and 2011 budgetary activity appears in Note 4.

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

2. Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$107,556	\$298,949

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

4. Budgetary Activity

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

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,071	\$114,441	\$25,370
Special Revenue	266,137	263,131	(3,006)
Debt Service	61,000	67,138	6,138
Total	\$416,208	\$444,710	\$28,502

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,186	\$125,809	\$377
Special Revenue	452,651	443,756	8,895
Debt Service	0	66,538	(66,538)
Total	\$578,837	\$636,103	(\$57,266)

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,346	\$94,165	\$14,819
Special Revenue	242,860	506,353	263,493
Total	\$322,206	\$600,518	\$278,312

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,425	\$118,125	\$6,300
Special Revenue	581,550	356,471	225,079
Total	\$705,975	\$474,596	\$231,379

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
John Deere Tractor Loan	\$10,455	5.3%
Dodge Truck Loan	2,530	4.0%
Ford Truck Loan	16,669	4.4%
Fire Truck Loan	173,801	5.5%
Total	\$203,455	

The Township entered into loan agreements in 2008 to purchase a John Deere tractor for mowing, in 2009 to purchase a Dodge truck with a snow blade for road maintenance and in 2010 to purchase a Ford dump truck for road maintenance. A property tax levy was approved in 2011 to be used for a fire truck and a debt service fund was established to receive the levy monies. The Township entered into a loan agreement to purchase the fire truck for emergency services. The loans are supported by the full faith and credit of the Township.

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

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

6. Debt (Continued)

Year ending December 31:	John Deere Tractor	Dodge Truck	Ford Truck	Fire Truck
2013	\$ 10,960	\$ 2,631	\$ 9,078	\$ 63,599
2014			8,706	60,699
2015				57,799
2016				54,908
Total	<u>\$10,960</u>	<u>\$2,631</u>	<u>\$17,784</u>	<u>\$237,005</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

8. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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



Dave Yost • Auditor of State

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

Good Hope Township
Hocking County
26885 Darl Road
Rockbridge, Ohio 43149

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Good Hope Township, Hocking County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2013, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles, and wherein we noted that in 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2012-001, 2012-005, 2012-007, 2012-009 and 2012-010 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-008.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2013

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 117.13(C)(3) states the fiscal officer may distribute such total cost of the audit to each fund audited in accordance with its percentage of the total cost.

Auditor of State Bulletin 2009-011 states the fiscal officer should determine which funds should be charged a percentage of the audit costs. The Auditor of State is of the opinion that most operating funds of a local government, including utility funds (i.e., water, sewer, electric), special levy funds, funds that receive gas taxes, and motor vehicle registration fees can be charged a portion of the audit costs.

Other funds of a local government that may be charged a percentage of the audit costs include bond and grant funds. The ability to charge bond funds will depend on the allowable uses defined in the bond legislation. Trust and other funds that receive donations restricted to specific purposes will require analysis by the fiscal officer of the restrictions imposed by the donor and/or trust agreement to determine if any audit costs may be charged to those funds. Agency funds, because of their custodial nature, should not be charged for any share of the cost of an audit for the fiscal officer's role as the fiscal agent.

In determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund's revenue or expenditures compared to the total revenue or expenditures for all funds, excluding agency funds, would be acceptable. A local government's indirect cost allocation plan may also be an acceptable method for allocating audit costs.

The Fiscal Officer charged audit costs of \$7,142 to the Fire District Fund; however, the Township did not determine or document a reasonable basis for allocating audit costs to funds other than the General Fund. This resulted in noncompliance with Ohio Revised Code 117.13(C)(3) and the audited 2011 financial statement has been adjusted to post all audit costs to the General Fund.

We recommend the Fiscal Officer review Auditor of State Bulletin 2009-011 and Ohio Rev. Code 117.13(C)(3) in order to gain an understanding of the requirements for a reasonable basis for allocating audit costs to funds other than the General Fund and document the calculation for audit purposes.

Official's Response: We will refer to Auditor of State Bulletin 2009-011 to better understand how to allocate funds to pay for audit costs other than the General Fund

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the elector of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Chapter 133 (Continued)

In 2011, the Township signed a promissory note with a local bank to purchase a Fire Truck for \$260,000. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133. Failure to comply with the Ohio Revised Code could result in improper use of Township money.

The Ohio Revised Code contains various methods of incurring debt for townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for townships. We recommend the Township contact their legal counsel before incurring future debt.

Official's Response: We will meet with our legal counsel for a better understanding and clarification to prevent this from happening in the future.

FINDING NUMBER 2012-003

Noncompliance Citation

Ohio Rev. Code Sections 505.37 and 505.376 require competitive bidding for contracts for equipment for fire protection and communication purposes estimated to exceed \$50,000. When competitive bidding is required, the board shall advertise once a week for not less than two consecutive weeks in a newspaper of general circulation within the township. The board may also cause notice to be inserted in trade papers or other publications designated by it or to be distributed by electronic means, including posting the notice on the board's internet web site. If the board posts the notice on its web site, it may eliminate the second notice otherwise required to be published in a newspaper of general circulation within the township, provided that the first notice published in such newspaper meets all of the following requirements: (1) It is published at least two weeks before the opening of bids; (2) It includes a statement that the notice is posted on the board's internet web site; (3) It includes the internet address of the board's internet web site; and (4) It includes instructions describing how the notice may be accessed on the board's internet web site. [Section 505.37(A)].

We found no evidence that the Township bid out or advertised for the Tanker Truck Purchase for \$92,700 from Peterbilt in 2011. Failure to properly bid for large dollar amounts could result in inefficient uses of Township resources. In addition, we did not find evidence the Township checked the Auditor of State's Unresolved Finding for Recovery database for the contractors that were awarded a contract. This could result in an improper contract if the contractor has an unresolved finding for recovery.

We recommend that the Township properly bid for equipment for fire protection purposes that exceed the \$50,000 limit as set by the Ohio Revised Code. In addition, we recommend the Township include a certified search of the Auditor of State's Unresolved Findings for Recovery database with the contract bidding documents and maintain all bids in Township files.

Official's Response: We will discuss with our legal counsel as to the proper procedures as to not make this mistake in the future.

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-004

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

We noted federal tax payments for the last quarter of 2010, all of 2011 and the third quarter of 2012 were paid after the due date. This resulted in penalties and interest payments in 2012 totaling \$2,924. This could cause the Township to pay more than what is due as well as placing an undue burden on the Township by paying penalties and interest charges.

Additionally, after audit adjustments relating to improper postings described in Finding 2012-007, the Road and Bridge Fund had a negative fund balance of \$6,958 at December 31, 2011 and a negative fund balance of \$17,400 at December 31, 2012.

We recommend the Fiscal Officer and Trustees monitor fund activity throughout the year to help prevent future expenditures from exceeding available resources, thus resulting in a cash flow problem. We further recommend the Fiscal Officer consult the Township Handbook for guidance on proper posting in order to avoid using restricted funds for unauthorized or unallowed purposes.

Official's Response: We will work closer with the Fiscal Officer to monitor fund activity and to avoid penalties due to late payments in the future.

FINDING NUMBER 2012-005

Noncompliance Citation and Material Weakness

Ohio Rev. Code 5705.14(E) states that money may be transferred from the general fund to any other fund of the subdivision. However, revenue derived from a general levy for current expenses should not be used to pay debt charges [ORC 5705.05, 1981 Op. Atty Gen. No. 81-035]. Therefore, auditors should be alert for transfers from the General Fund to a Debt Service Fund, or other fund, to retire debt. Governments must be able to support that such transfers were made without the use of revenue derived from inside millage. Generally, revenues derived from all other sources in the General Fund may be used to retire debt. Counties are precluded from transferring general levy revenue for current expenses to other county funds for the construction, reconstruction, resurfacing, and repair of roads and bridges. [ORC 5705.05 & .06]. Other entities (except counties) may transfer general levy revenue for current expenses to Road and Bridge Funds via a resolution passed by a simple majority of the governing authority [ORC 5705.14(E)]. Also OAG Opinion 89-075 requires a governing board resolution passed by a simple majority of the board members to transfer funds.

During 2011, the Township transferred \$11,112 from the General Fund to the Road and Bridge Fund without a resolution passed by the Board. This caused the Township to be out of compliance with the Ohio Revised Code and could result in funds being used for purposes other than was intended. As a result, significant adjustments, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-005 (Continued)

Noncompliance Citation and Material Weakness

We recommend the Fiscal Officer make no transfers without a Board approved resolution.

Official's Response: We will be sure to follow procedures to transfer funds with Board approval as to stay in compliance with the Ohio Revised Code.

FINDING NUMBER 2012-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 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.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-006 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Township did not properly certify the availability of funds prior to purchase commitments for 24% of the 2012 expenditures tested, plus two individually significant transactions totaling \$54,486.12. In 2011, 16% of expenditures test, plus three individually significant transactions totaling \$171,870.50, were not properly certified. There was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures and this condition could allow noncompliance with Ohio Revised Code Section 5705.41(B) to occur.

We recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) 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) are satisfied.

Official's Response: We will follow the guidelines from the Township Accounting Manual for purchase order certification. We will demand purchase orders be obtained before purchases are made.

FINDING NUMBER 2012-007

Noncompliance Citation and Material Weakness

Ohio Admin Code 117-2-02(A) states that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following items related to revenue transactions were noted:

For 2012:

- \$161 in General Fund tangible personal property tax reimbursements were improperly classified as Tax receipts rather than as Intergovernmental receipts,
- \$220 in Road and Bridge Fund tangible personal property tax reimbursements were improperly classified as Tax receipts rather than as Intergovernmental receipts,
- \$9,035 in Road and Bridge Fund property tax receipts were improperly posted to the Road District Fund,
- \$220 in Fire District Fund tangible personal property tax reimbursements were improperly classified as Tax receipts rather than as Intergovernmental receipts,
- \$146 in Road District Fund tangible personal property tax reimbursements were improperly classified as Tax receipts rather than as Intergovernmental receipts,

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-007 (Continued)

Noncompliance Citation and Material Weakness - Ohio Admin Code 117-2-02(A) (Continued)

- \$19,060 in homestead and rollback receipts were improperly posted to the Road and Bridge Fund rather than \$4,894 to the General Fund, \$4,894 to the Fire District Fund, \$2,833 in Road District Fund, and \$6,439 to the Debt Service Fund,
- The second half mobile home settlement in the amount of \$206 was not posted in the system requiring adjustments to the cash balance, and also understating General Fund Tax receipts by \$36, Road and Bridge Fund Tax receipts by \$50, Fire District Fund Tax receipts by \$43, Road District Fund Tax receipts by \$27 and the Debt Service Fund Tax receipts by \$50,
- Interest receipts of \$383 were not posted in the system requiring adjustments to the cash balance.

For 2011:

- \$1,087 in General Fund tangible personal property tax reimbursements were improperly classified as Tax receipts rather than as Intergovernmental receipts,
- \$1,627 in General Fund utility deregulation reimbursements were improperly classified as Miscellaneous receipts rather than Intergovernmental receipts,
- \$1,040 in Motor Vehicle License Tax Fund prior year receipts were recorded twice,
- \$2,724 in Gasoline Tax Fund prior year receipts were recorded twice,
- \$1,483 in Road and Bridge Fund tangible personal property tax reimbursements were improperly classified as Tax receipts rather than as Intergovernmental receipts,
- \$787 in Road and Bridge Fund utility deregulation reimbursements were improperly classified as Miscellaneous receipts rather than Intergovernmental receipts,
- \$65 in Road and Bridge Fund prior year receipts were recorded twice,
- \$12,346 in homestead and rollback receipts were improperly posted to the Road and Bridge Fund rather than \$4,676 to the General Fund, \$4,863 to the Fire District Fund and \$2,506 in Road District Fund,
- \$1,483 in Fire District Fund tangible personal property tax reimbursements were improperly classified as Tax receipts rather than as Intergovernmental receipts,
- \$787 in Fire District Fund utility deregulation reimbursements were improperly classified as Miscellaneous receipts rather than Intergovernmental receipts,
- \$989 in Road District Fund tangible personal property tax reimbursements were improperly classified as Tax receipts rather than as Intergovernmental receipts,
- \$524 in Road District Fund utility deregulation reimbursements were improperly classified as Miscellaneous receipts rather than Intergovernmental receipts,
- The second half mobile home settlement in the amount of \$201 was not posted requiring adjustments to the cash balance, and understating General Fund Tax receipts by \$47, Road and Bridge Fund Tax receipts by \$65, Fire District Fund Tax receipts by \$55, and the Road District Fund Tax receipts by \$33,
- Interest receipts of \$522 and a miscellaneous receipt of \$100 were not posted in the system requiring adjustments to the cash balance,
- Outstanding checks amounting to \$1,240 were removed from the outstanding check list improperly requiring adjustments to the cash balance.
- A transfer out of \$11,112 from the General Fund to the Road and Bridge Fund was reversed due to lack of Trustee approval.

The following items related to disbursement transactions were noted:

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-007 (Continued)

Noncompliance Citation and Material Weakness - Ohio Admin Code 117-2-02(A) (Continued)

For 2012:

- \$8,444 in Debt Service Fund disbursements improperly classified as Principal rather than as Interest,
- \$5,895 in debt disbursements were improperly posted to the Fire District Fund instead of the Debt Service Fund,
- \$34,000 in debt disbursements improperly classified to Capital Outlay rather than as Principal,
- \$8,948 in federal tax payments and \$2,924 in penalty and interest payments were not posted to the system requiring adjustments to the cash balance

For 2011:

- \$6,499 in debt disbursements from various accounts improperly classified as Principal or Interest,
- \$4,307 in debt disbursements were improperly posted to the Road and Bridge Fund instead of the Gasoline Tax Fund,
- \$258 in business products disbursements not posted to the system requiring adjustments to the cash balance.

As a result, significant reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Township Fiscal Officer refer to the Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts.

Official's Response: We will provide more oversight to help eliminate the misstatements.

FINDING NUMBER 2012-008

Noncompliance Citation

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2012, approved estimated receipts did not agree to the Township's ledgers as follows:

Fund	Estimated Receipts as Approved	Estimated Receipts per the System	Variance
Motor Vehicle License Tax	\$ 12,700	\$ 13,110	\$ 410
Fire District	50,110	309,184	259,074
Debt Service	61,000	60,500	(500)

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-008 (Continued)

Noncompliance Citation - Ohio Admin. Code Section 117-2-02(C)(1) (Continued)

At December 31, 2011, approved estimated receipts did not agree to the Township's ledgers as follows:

Fund	Estimated Receipts as Approved	Estimated Receipts per the System	Variance
General Fund	\$ 79,346	\$ 81,053	\$ 1,707
Motor Vehicle License Tax	12,510	12,275	(235)
Gasoline Tax	71,150	70,600	(550)
Road and Bridge	77,500	86,112	8,612
Fire District	50,200	306,100	255,900
Road District	31,500	27,300	(4,200)

At December 31, 2012, approved appropriations did not agree to the Township's ledgers as follows:

Fund	Appropriations as Approved	Appropriations per the System	Variance
Fire District	\$ 198,850	\$ 238,850	\$ 40,000
Debt Service	0	60,643	60,643

As a result, management lost some degree of budgetary control since budgetary information was being improperly entered into the system.

We recommend posting estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Official's Response: We will use the County Budget Commission's certified estimated receipts and appropriations, only after being approved by the Board, to have a better comparison between budgeted an actual amounts.

FINDING NUMBER 2012-009

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Township's staff did not allow for an adequate segregation of duties; the Township Fiscal Officer performed all accounting functions. It is therefore important that the Township Trustees function as a finance committee to monitor financial activity closely. There was no documentation of the extent to which the Trustees reviewed bank reconciliations, financial reports and records to monitor financial activity of the Township.

**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-009 (Continued)

Material Weakness – Monitoring (Continued)

This resulted in the ledgers of the Township not being posted up-to-date, errors in the reconciliation, and errors and/or omissions occurring in the Township's annual report without the timely knowledge of the Trustees.

We recommend financial information be presented to the Trustees at each regular monthly meeting for review. This information should include reconciliations, as well as revenue and expenditure activity and budget versus actual reports. These reviews should either be documented in the minutes of the Township or the financial information provided should be signed by Trustees indicating their review.

Official's Response: As the finance committee, the Trustees will review statements, financial reports and records to monitor financial activity closer and have better budgetary control and understanding of the funds.

FINDING NUMBER 2012-010

Material Weakness

Bank Reconciliations should be prepared monthly in a timely and accurate manner. Throughout the audit period, the Fiscal Officer did not reconcile the end of month bank balance to accurate end of month cash balances per the Township's accounting system.

The lack of accurate and timely performance of monthly bank reconciliations resulted in numerous errors which remained undetected and uncorrected until performance of the audit. These errors resulted in adjustments to the accounting system and financial statements to present accurate cash balances at year end. These adjustments are discussed in Finding 2012-007.

We recommend the Fiscal Officer reconcile the month end bank balance to the cash balance per the accounting system on a monthly basis. We also recommend this reconciliation be reviewed and approved, as indicated by the signature of reviewing Trustee(s), by a member of the Board of Trustees.

Official's Response: Along with reviewing financial documents, bank reconciliations will be done and reviewed by the finance committee to compare the month end bank balance to the system cash balance to ensure accuracy and to find errors in a timely manner.

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**GOOD HOPE TOWNSHIP
HOCKING COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	A finding for recovery against Thomas Heightland for overpayment of wages is the amount of \$310.	Yes	Paid in full
2010-002	A noncompliance citation of Ohio Rev Code Section 9.38 for not making deposits of monies in a timely manner.	Yes	N/A
2010-003	A noncompliance citation of Ohio Rev. Code Chapter 133 for issuing unallowable debt.	No	Repeated for the current period as Finding 2012-002
2010-004	A noncompliance citation of Ohio Rev Code Sections 505.37 and 505.376 for making purchases without meeting the bidding requirements.	No	Repeated for the current period as Finding 2012-003
2010-005	A noncompliance citation of Ohio Rev Code Section 5705.41(D)(1) for not certifying purchases as required.	No	Repeated for the current period as Finding 2012-006
2010-006	A material weakness for not monitoring financial activity.	No	Repeated for the current period as Finding 2012-009
2010-007	A material weakness for not performing timely and accurate bank reconciliations.	No	Repeated for the current period as Finding 2012-010
2010-008	A material weakness for approved estimated receipts and appropriations not agreeing to the system.	No	Repeated for the current period as Finding 2012-008
2010-009	A material weakness for misclassifying and misposting of receipts and disbursements.	No	Repeated for the current period as Finding 2012-007

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Dave Yost • Auditor of State

GOOD HOPE TOWNSHIP

HOCKING 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 10, 2013**