



Dave Yost • Auditor of State

**WINDSOR TOWNSHIP
MORGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Windsor Township
Morgan County
5209 Hanson Hill Road
Stockport, Ohio 43787

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Windsor Township, Morgan 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 fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our 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 matters discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraphs, 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, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During the audit period January 1, 2011 through December 31, 2011, the Township incorrectly posted interest receipts to the Motor Vehicle License Tax, Gasoline Tax and Permissive Motor Vehicle License Tax Funds in the amounts of \$1,242, \$961 and \$1,690, respectively that should have been posted to the General Fund, in the amount of \$3,893. The Township declined to make these adjustments. Also, the Trustees' salaries and insurance reimbursements were not allocated in accordance with the documentation provided. The Trustees' salaries and insurance reimbursements were paid from the Motor Vehicle License Tax and Gasoline Tax Funds in the amounts of \$514 and \$8,263, respectively and should have been paid from the General, Road and Bridge and Cemetery Funds in the amounts of \$738, \$6,415 and \$1,624, respectively. The Township declined to make these adjustments.

During the audit period January 1, 2012 through December 31, 2012, the Township incorrectly posted interest receipts to the Motor Vehicle License Tax, Gasoline Tax and Permissive Motor Vehicle License Tax Funds in the amounts of \$634, \$1,194 and \$89, respectively that should have been posted to the General Fund, in the amount of \$1,917. The Township declined to make these adjustments. Also, the Trustees' salaries and insurance reimbursements were not allocated in accordance with the documentation provided. The Trustees' salaries and insurance reimbursements were paid from the Motor Vehicle License Tax and Gasoline Tax Funds in the amounts of \$317 and \$15,911, respectively and should have been paid from the General, Road and Bridge and Cemetery Funds in the amounts of \$1,288, \$13,660 and \$1,280, respectively. The Township declined to make these adjustments.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Windsor Township, Morgan County, Ohio, 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.

As discussed in Note 10, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraphs, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 10 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 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

August 15, 2013

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**WINDSOR TOWNSHIP
MORGAN 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	\$24,232	\$61,077		\$85,309
Intergovernmental	22,555	94,578	\$9,000	126,133
Earnings on Investments	786	2,566		3,352
Miscellaneous	402	5,260		5,662
<i>Total Cash Receipts</i>	<u>47,975</u>	<u>163,481</u>	<u>9,000</u>	<u>220,456</u>
Cash Disbursements				
Current:				
General Government	22,564			22,564
Public Safety		31,750		31,750
Public Works		195,855		195,855
Health	10,440			10,440
Debt Service:				
Principal Retirement			18,689	18,689
Interest and Fiscal Charges			717	717
<i>Total Cash Disbursements</i>	<u>33,004</u>	<u>227,605</u>	<u>19,406</u>	<u>280,015</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	14,971	(64,124)	(10,406)	(59,559)
<i>Fund Cash Balances, January 1</i>	<u>7,691</u>	<u>155,913</u>	<u>12,075</u>	<u>175,679</u>
Fund Cash Balances, December 31				
Restricted		91,789	1,669	93,458
Unassigned (Deficit)	22,662			22,662
<i>Fund Cash Balances, December 31</i>	<u>\$22,662</u>	<u>\$91,789</u>	<u>\$1,669</u>	<u>\$116,120</u>

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

**WINDSOR TOWNSHIP
MORGAN 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	\$23,821	\$68,314		\$92,135
Intergovernmental	17,562	119,814	\$12,000	149,376
Earnings on Investments	391	6,877		7,268
Miscellaneous	1,027	200		1,227
<i>Total Cash Receipts</i>	<u>42,801</u>	<u>195,205</u>	<u>12,000</u>	<u>250,006</u>
Cash Disbursements				
Current:				
General Government	20,230			20,230
Public Safety		33,509		33,509
Public Works		144,251		144,251
Health	10,472	8,750		19,222
Debt Service:				
Principal Retirement			16,996	16,996
Interest and Fiscal Charges			1,504	1,504
<i>Total Cash Disbursements</i>	<u>30,702</u>	<u>186,510</u>	<u>18,500</u>	<u>235,712</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,099</u>	<u>8,695</u>	<u>(6,500)</u>	<u>14,294</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets		10,358		10,358
Transfers In			10,358	10,358
Transfers Out		(10,358)		(10,358)
Advances In			1,000	1,000
Advances Out	(1,000)			(1,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>0</u>	<u>11,358</u>	<u>10,358</u>
<i>Net Change in Fund Cash Balances</i>	11,099	8,695	4,858	24,652
<i>Fund Cash Balances, January 1 - restated, See Note 3</i>	<u>(3,408)</u>	<u>147,218</u>	<u>7,217</u>	<u>151,027</u>
Fund Cash Balances, December 31				
Restricted		155,913	12,075	167,988
Unassigned (Deficit)	7,691			7,691
<i>Fund Cash Balances, December 31</i>	<u>\$7,691</u>	<u>\$155,913</u>	<u>\$12,075</u>	<u>\$175,679</u>

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

**WINDSOR TOWNSHIP
MORGAN 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 Windsor Township, Morgan County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with Stockport Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 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

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**WINDSOR TOWNSHIP
MORGAN 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)

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

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 (Bond) (Note) Retirement Fund – This fund receives a portion of the gasoline cents per gallon monies upon allocation by the Morgan County Auditor for principal and interest payments on debt related to the Township roads.

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 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

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

**WINDSOR TOWNSHIP
MORGAN COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

**WINDSOR TOWNSHIP
MORGAN COUNTY**

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

2. Change in Accounting Principle and Restatement of Fund Equity

A. 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.

B. Restatement of Fund Equity

The Township recorded a fund balance adjustment due to a finding for adjustment in the 2010-2009 audit report that was not recorded in the Township's books until the current audit period.

<u>Governmental Funds</u>	<u>Fund Balances at December 31, 2010</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2011</u>
General	(\$7,846)	\$4,438	(\$3,408)
Special Revenue	152,114	(4,896)	147,218
Debt Service	6,759	458	7,217

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:

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$116,120</u>	<u>\$175,679</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

4. Budgetary Activity

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

<u>2012 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$36,173	\$47,975	\$11,802
Special Revenue	177,284	163,481	(13,803)
Debt Service	11,000	9,000	(2,000)
Total	<u>\$224,457</u>	<u>\$220,456</u>	<u>(\$4,001)</u>

<u>2012 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$34,436	\$33,004	\$1,432
Special Revenue	267,785	227,605	40,180
Debt Service	20,000	19,406	594
Total	<u>\$322,221</u>	<u>\$280,015</u>	<u>\$42,206</u>

**WINDSOR TOWNSHIP
MORGAN COUNTY**

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

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,350	\$42,801	\$14,451
Special Revenue	185,825	205,563	19,738
Debt Service	11,000	22,358	11,358
Total	\$225,175	\$270,722	\$45,547

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,126	\$30,702	\$1,424
Special Revenue	217,800	196,868	20,932
Debt Service	19,000	18,500	500
Total	\$268,926	\$246,070	\$22,856

Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Township did not consistently obtain the fiscal officer's prior certification prior to incurring an obligation during 2012 and 2011.

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.

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.

7. Retirement System

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

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

**WINDSOR TOWNSHIP
MORGAN COUNTY**

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

8. Risk Management (Continued)

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416.188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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.

**WINDSOR TOWNSHIP
MORGAN COUNTY**

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

8. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$4,129	\$4,126

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.

9. Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. Financial Difficulties

At December 31, 2011, the following funds had adjustments which the Township declined to make in the following amounts:

Fund	December 31, 2011 Balance	Adjustments Not Made	Effect on December 31, 2011 Balance
General	\$ 7,691	\$ 3,155	\$ 10,846
Special Revenue	155,913	(3,155)	152,758

At December 31, 2012, the following funds had adjustments which the Township declined to make in the following amounts:

Fund	December 31, 2012 Balance	Adjustments Not Made	Effect on December 31, 2012 Balance
General	\$ 22,662	\$ 3,784	\$ 26,446
Special Revenue	91,789	(3,784)	88,005

The Township continues to monitor all expenditures of the General Fund.

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Dave Yost • Auditor of State

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

Windsor Township
Morgan County
5209 Hanson Hill Road
Stockport, Ohio 43787

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 Windsor Township, Morgan 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 August 15, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Township has adopted Government Accounting Standards Board Statement No.54. In addition, we issued an adverse opinion on the 2012 and 2011 regulatory financial statements due to the Township declining to make adjustments for mispostings.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2012-001, 2012-002, 2012-003, 2012-05 and 2012-006 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, 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 2012-004.

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

August 15, 2013

**WINDSOR TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 135.21 provides that interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs. All other interest earned must be credited to the general fund of the subdivision with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal (Article XII, Section 5a, Ohio Const. and 1982 Op. Atty Gen. No. 82-031)
- Federal regulations may require local governments to credit interest earned on federal money to the fund to which the principal belongs. Most Federal agencies have codified Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments that describe the accounting for interest earnings. In some situations, interest earnings on Federal money must follow the fund to which the principal belongs (such as interest earned on revolving loans). Conversely, local governments must generally refund interest earned in excess of \$100 annually to the Federal agency if the grant is advance funded. Auditors should refer to the applicable Federal program regulations and grant agreements to determine whether interest earned on federal money is program income and, therefore, must be credited to the fund where the principal belongs.
- Interest earned on principal of a non-expendable trust fund established to receive donations or contributions that the donor or contributor requires to be maintained intact must be credited to the non-expendable trust fund to which the principal belongs. (Ohio Rev. Code §5705.131).
- Interest earned on debt proceeds from debt issued under Ohio Rev. Code Chapter 133 must be used for purposes for which the debt was issued or credited to the general fund. (Section 5705.10(E)) (Note: Proceeds exclude accrued interest and premiums, which the entity must credit to the sinking or bond retirement fund.)

During 2011 and 2012, the Fiscal Officer used a methodology to allocate interest earnings to the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund and Permissive Motor Vehicle License Tax Fund. This methodology was determined to not be reasonable. This resulted in the General Fund earning less interest than it should have been. We recalculated the interest distribution allowing the General Fund to earn interest and pro-rating an amount to the other three road funds based on the percent of their fund balance in relation to the combined fund balance of all the Township's funds. We determined that the difference between the amount posted by the Township and the amount that should have been earned by the General Fund was \$3,893 and \$1,917 in 2011 and 2012, respectively. The excess postings were to the Motor Vehicle License Tax Fund, in the amount of \$1,242 and \$634, Gasoline Tax Fund in the amounts of \$961 and \$1,194 and Permissive Motor Vehicle License Tax Fund in the amounts of \$1,690 and \$89 during 2011 and 2012, respectively.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Windsor Township Motor Vehicle License Tax, Gasoline Tax, and Permissive Motor Vehicle License Tax Funds, in the amounts of \$1,876, \$2,155, and \$1,779, respectively, and in favor of the Windsor Township General Fund, in the amount of \$5,810.

The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

**WINDSOR TOWNSHIP
MORGAN 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

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The Attorney General Opinion was issued prior to the certification requirements of Ohio Revised Code Section 505.24, effective September 29, 2011; however, it is still applicable to audit periods prior to September 2011. The Auditor of State issued Bulletin 2011-007 on October 27, 2011 explaining these legislative changes and the impact of these changes on townships.

Subsequent to the issuance of Auditor of State Bulletin 2011-007, the Trustees did not always follow the certification requirements for 2011 and 2012. During 2011 we found two Trustees early implemented the payroll certifications (one in March 2011 and one in May 2011) while the other Trustee continued to document his time through the use of timesheets. While testing the timesheets and certifications, we determined that the amounts allocated to the funds were not supported by the timesheets and/or payroll certifications for 2011. The Fiscal Officer allocated \$6,628 to the Gasoline Tax Fund and \$708 to the Motor Vehicle License Tax Fund that should have been allocated to the Road and Bridge Fund, in the amount of \$6,072 and to the Cemetery Fund, in the amount of \$1,264.

After the issuance of Auditor of State Bulletin 2011-007, we found one Trustee utilized the payroll certifications for the entire year, one Trustee utilized timesheets until September 2012 and then he utilized payroll certifications and the other Trustee continued to document his time through the use of timesheets. While testing the timesheets and certifications, we determined that the amounts allocated to the funds were not supported by the timesheets and/or payroll certifications for 2012. The Fiscal Officer allocated \$9,858 to the Gasoline Tax Fund and \$746 to the Motor Vehicle License Tax Fund that should have been allocated to the Road and Bridge Fund, in the amount of \$9,237, General Fund, in the amount of \$447 and to the Cemetery Fund, in the amount of \$920.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Windsor Township General Fund, Road and Bridge Fund and the Cemetery Fund in the amounts of \$447, \$15,309 and \$2,184, respectively, and in favor of the Windsor Township Motor Vehicle License Tax Fund and Gasoline Tax Fund in the amounts of \$1,454 and \$16,486, respectively.

The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

**WINDSOR TOWNSHIP
MORGAN 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 2012-003

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5735.27(A)(5)(d) requires the funds received from the gasoline excise tax shall be expended by each township to plan, construct, maintain, widen, and reconstruct the public roads and highways within such township.

In addition, Ohio Constitution Article XII, Section 5a, states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refund and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on public highways.

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund shall be used only for the purposes for which said fund has been established.

During the period January 1, 2011 to December 31, 2011, the Township paid health insurance reimbursements to employees in the amount of \$1,635 from the Gasoline Tax Fund, Special Revenue Fund type, instead of allocating to the General Fund, in the amount of \$738, to the Road and Bridge Fund, in the amount of \$343, to the Motor Vehicle License Tax Fund, in the amount of \$194 and to the Cemetery Fund, in the amount of \$360.

During the period January 1, 2012 to December 31, 2012, the Township paid health insurance reimbursements to employees in the amount of \$6,053 from the Gasoline Tax Fund, Special Revenue Fund type, instead of allocating to the General Fund, in the amount of \$841, to the Road and Bridge Fund, in the amount of \$4,423, to the Motor Vehicle License Tax Fund, in the amount of \$429 and to the Cemetery Fund, in the amount of \$360 for health insurance reimbursement.

A finding for adjustment is hereby issued against the Windsor Township General Fund, in the amount of \$1,579, the Road and Bridge Fund, in the amount of \$4,766, the Motor Vehicle License Tax Fund, in the amount of \$623 and the Cemetery Fund, in the amount of \$720, and in favor of the Windsor Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$7,688. The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

FINDING NUMBER 2012-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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.

**WINDSOR TOWNSHIP
MORGAN 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 (Continued)

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

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

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from 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 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 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.

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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Seventy percent of the non-payroll transactions tested in 2011 and sixty percent of the transactions tested in 2012 did not have the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Further we found one blanket certificate in 2011 and one blanket certificate in 2012 that exceeded the amount established by the Board of Trustees.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township prior certification is not possible, "then and now" certification should be used.

**WINDSOR TOWNSHIP
MORGAN 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 (Continued)

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

We recommend the Township obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the 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. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2012-005

Material Weakness

The Ohio Township Handbook (revised April 2013) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to properly post receipts and prepare annual reports in the format required by the Auditor of State.

During 2012, we noted the following transactions were posted incorrectly:

- Estate tax monies (\$6,369) and homestead and rollback monies (\$219) were posted to miscellaneous instead of intergovernmental in the General Fund;
- Permissive motor vehicle license tax monies (\$8,739) were posted to taxes instead of intergovernmental in the Permissive Motor Vehicle License Tax Fund; and
- Three checks from the Morgan County Auditor dated November 28, 2012, December 13, 2012 and December 21, 2012, totaling \$16,754, were not deposited and posted to the Township's ledgers until January 2013.

During 2011, we noted the following transactions were posted incorrectly:

- Proceeds from the sale of assets (\$10,358) were posted to intergovernmental in the General (Bond) (Note) Retirement Fund instead of sale of capital assets in the Gasoline Tax Fund; and
- Permissive motor vehicle license tax monies (\$10,970) were posted to taxes instead of intergovernmental in the Permissive Motor Vehicle License Tax Fund.
- These errors were due to a lack of management oversight. As a result, the significant reclassifications, with which the Township's management agrees, were made to the financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts. We further recommend the Fiscal Officer deposit and post receipts in a timely manner to ensure the receipts are recorded in the proper period.

**WINDSOR TOWNSHIP
MORGAN 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 2012-006

Material Weakness

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, 2011, estimated revenue as approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Revenue per Budget Commission	Estimated Revenue per Revenue Status	Variance
General	\$28,350	\$21,600	\$6,750
Cemetery	10,295	8,495	1,800

For 2012, the Fiscal Officer did not input any amounts in the UAN system for estimated revenue; therefore, estimated revenue as approved by the Budget Commission did not agree to the Township's ledgers for all the funds as follows:

Fund	Estimated Revenue per Budget Commission	Estimated Revenue per Revenue Status	Variance
General	\$36,173	\$0	\$36,173
Motor Vehicle License Tax	15,927	0	15,927
Gasoline Tax	77,669	0	77,669
Road and Bridge	35,956	0	35,956
Fire Levy	36,612	0	36,612
Permissive Motor Vehicle License Tax	11,120	0	11,120
General (Bond) (Note) Retirement	11,000	0	11,000

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Township Trustees and estimated revenue as approved by the Budget Commission into the computer system 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.

Officials' Response:

Management declined to respond to any of the findings.

**WINDSOR TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 5705.10(H) for posting an advance from the Debt Service Fund to the General Fund in 2009 that was not allowed. A finding for adjustment was issued.	Yes	The advance was repaid on October 31, 2011.
2010-02	Ohio Rev. Code Section 5705.10(D) for posting as excess IRP receipt to the General Fund instead of the Motor Vehicle License Tax Fund in 2010. A finding for adjustment was issued.	No	The Fiscal Officer made the adjustment to the Debt Service Fund instead of the Motor Vehicle License Tax Fund – repeated as a Management Letter comment.
2010-03	Ohio Rev. Code Section 5705.10(D) for posting interest incorrectly among the funds. A finding for adjustment was issued.	Yes	The adjustment was made on October 13, 2011.
2010-04	Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources in 2009 and 2010.	Yes	N/A
2010-05	Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations in 2010.	Yes	N/A
2010-06	Ohio Rev. Code Section 5705.41(B) for expending money without it being appropriated in 2012 and 2011.	Yes	N/A
2010-07	Ohio Rev. Code Section 5705.10(C) for not recording Issue I grant transactions during 2010.	Yes	N/A – No Issue I monies received during 2012 and 2011.
2010-08	The Township misclassified intergovernmental receipts.	No	Repeated as Finding Number 2012-005.
2010-09	The Township did not post appropriations as approved by the Board of Trustees correctly to the Township's UAN system during 2010 and 2009. The Township did not post estimated resources as approved by the Budget Commission correctly to the Township's UAN system during 2010.	No	Repeated as Finding Number 2012-006.
2010-10	Ohio Rev. Code Section 5705.10(H) for the General Fund having a negative fund balance at the end of 2010 and 2009 as well as throughout 2010 and 2009.	Yes	N/A

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Dave Yost • Auditor of State

WINDSOR TOWNSHIP

MORGAN 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
SEPTEMBER 03, 2013**