



Dave Yost • Auditor of State



FALLS TOWNSHIP  
HOCKING COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Falls Township  
Hocking County  
30800 Freeman Road  
Logan, Ohio 43138

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Falls Township, Hocking County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 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(D), 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, 2013 and 2012, or changes in financial position 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 Falls Township, Hocking County, Ohio, as of December 31, 2013 and 2012, 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(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2014, 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

July 16, 2014

**FALLS 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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 232,806	\$ 260,083	\$ 492,889
Licenses, Permits and Fees		4,550	4,550
Intergovernmental	50,992	153,547	204,539
Earnings on Investments	598	51	649
Miscellaneous		4,843	4,843
<i>Total Cash Receipts</i>	<u>284,396</u>	<u>423,074</u>	<u>707,470</u>
<b>Cash Disbursements</b>			
Current:			
General Government	196,122	2,346	198,468
Public Safety		74,950	74,950
Public Works	19,114	423,234	442,348
Health	13,874	4,112	17,986
Capital Outlay	2,111	7,559	9,670
Debt Service:			
Principal Retirement		29,671	29,671
Interest and Fiscal Charges	5,098		5,098
<i>Total Cash Disbursements</i>	<u>236,319</u>	<u>541,872</u>	<u>778,191</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>48,077</u>	<u>(118,798)</u>	<u>(70,721)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		87,851	87,851
Transfers Out	(67,000)	(20,851)	(87,851)
Other Financing Sources	14,148		14,148
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(52,852)</u>	<u>67,000</u>	<u>14,148</u>
<i>Net Change in Fund Cash Balances</i>	(4,775)	(51,798)	(56,573)
<i>Fund Cash Balances, January 1</i>	<u>95,449</u>	<u>167,857</u>	<u>263,306</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		116,059	116,059
Unassigned (Deficit)	90,674		90,674
<i>Fund Cash Balances, December 31</i>	<u>\$ 90,674</u>	<u>\$ 116,059</u>	<u>\$ 206,733</u>

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

**FALLS 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	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 230,732	\$ 258,039	\$ 488,771
Licenses, Permits and Fees		4,150	4,150
Intergovernmental	64,082	170,087	234,169
Earnings on Investments	750	57	807
Miscellaneous		1,730	1,730
<i>Total Cash Receipts</i>	<u>295,564</u>	<u>434,063</u>	<u>729,627</u>
<b>Cash Disbursements</b>			
Current:			
General Government	202,423	1,055	203,478
Public Safety		73,000	73,000
Public Works	20,828	349,823	370,651
Health	16,416	6,337	22,753
Capital Outlay	26,727		26,727
Debt Service:			
Principal Retirement		36,274	36,274
Interest and Fiscal Charges	5,472		5,472
<i>Total Cash Disbursements</i>	<u>271,866</u>	<u>466,489</u>	<u>738,355</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,698</u>	<u>(32,426)</u>	<u>(8,728)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		62,000	62,000
Transfers Out	(62,000)		(62,000)
Advances In	6,458	26,458	32,916
Advances Out	(26,458)	(6,458)	(32,916)
Other Financing Sources	1,680		1,680
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(80,320)</u>	<u>82,000</u>	<u>1,680</u>
<i>Net Change in Fund Cash Balances</i>	<u>(56,622)</u>	<u>49,574</u>	<u>(7,048)</u>
<i>Fund Cash Balances, January 1</i>	<u>152,071</u>	<u>118,283</u>	<u>270,354</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		117,331	117,331
Committed		50,526	50,526
Assigned	95,449		95,449
<i>Fund Cash Balances, December 31</i>	<u>\$ 95,449</u>	<u>\$ 167,857</u>	<u>\$ 263,306</u>

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

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Falls 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, cemetery maintenance and fire protection. The Township contracts with the City of Logan and the Village of New Straitsville to provide fire services.

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

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Township had one primary, interest-bearing checking account and a certificate of deposit during the period.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund 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 Funds:

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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 expenditures prior to incurring the obligations as required by law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**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:

**1. Nonspendable**

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

FALLS TOWNSHIP  
HOCKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits**

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

	2013	2012
Demand deposits	\$204,733	\$259,306
Certificates of deposit	2,000	4,000
Total deposits	\$206,733	\$263,306

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31 follows:

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$285,110	\$298,544	\$13,434
Special Revenue	440,906	510,925	70,019
Total	\$726,016	\$809,469	\$83,453

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$426,311	\$303,319	\$122,992
Special Revenue	580,233	572,273	7,960
Total	\$1,006,544	\$875,592	\$130,952

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$288,910	\$303,702	\$14,792
Special Revenue	573,071	522,521	(50,550)
Total	\$861,981	\$826,223	(\$35,758)

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$438,311	\$360,324	\$77,987
Special Revenue	559,044	474,920	84,124
Total	\$997,355	\$835,244	\$162,111

Contrary to Ohio law, for the year ended December 31, 2013, appropriations exceeded estimated resources in the General, Motor Vehicle License Tax, Cemetery and Fire Levy Funds by \$47,552, \$3,082, \$12,456 and 1,254, respectively. Additionally, the Township did not encumber all expenditures prior to incurring the obligations as required by law.

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Property Tax**

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

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

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

**5. Retirement System**

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

For 2013 and 2012, 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, 2013.

**6. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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, 2013, 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.

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Risk Management (Continued)**

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, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>(8,486,363)</u>	<u>(9,355,082)</u>
Net Position	<u>\$26,497,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

**Contributions to OTARMA**

	<u>2013</u>	<u>2012</u>
	\$10,440	\$10,463

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



# Dave Yost • Auditor of State

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

Falls Township  
Hocking County  
30800 Freeman Road  
Logan, Ohio 43138

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 Chester Township, Hocking County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated July 16, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 opinion 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2013-003 described in the accompanying Schedule of Findings to be a material weakness.

***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 2013-001 through 2013-003.

***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

July 16, 2014

FALLS TOWNSHIP  
HOCKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

**Noncompliance Citation**

Ohio Rev. Code § 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources at December 31, 2013, in the following funds:

Fund	Estimated Resources	Appropriation Authority	Variance
General Fund	\$ 378,759	\$ 426,311	\$ 47,552
Motor Vehicle License Tax	22,953	26,035	3,082
Cemetery Fund	13,571	26,027	12,456
Fire Levy Fund	124,450	\$ 125,704	1,254

This could result in deficit spending.

We recommend the Fiscal Officer monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources.

**Official's Response:** The Township will try to correct moving forward.

FINDING NUMBER 2013-002

**Noncompliance Citation**

Ohio Rev. Code § 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 §§ 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 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.

FALLS TOWNSHIP  
HOCKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

FINDING NUMBER 2013-002  
(Continued)

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

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 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 for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate 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. 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.

The Township did not properly certify the availability of funds prior to purchase commitment for 46% of the 2013 expenditures and 42% of the 2012 expenditures; there was no evidence the Township followed the aforementioned exceptions. 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. Also the Township did not have a Board approved amount for blanket certificates.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certifications should be used. We also recommend the Board approve an amount for blanket certificates.

**Official's Response:** The Township will try to correct moving forward.

FALLS TOWNSHIP  
HOCKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

FINDING NUMBER 2013-003

**Noncompliance and Material Weakness**

Ohio Admin Code § 117-2-02(A) requires all local public offices 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.

For the period ending December 31, 2012, the following posting errors were noted:

- Intergovernmental receipts of \$33,837 were improperly posted as Taxes in the Road and Bridge Fund.
- Debt payments of \$34,509 were improperly posted as Capital Outlay in the Road and Bridge Fund and the related interest of \$1,765 was improperly posted as an expenditure of the General Fund.

For the period ending December 31, 2013, the following posting errors were noted:

- Intergovernmental receipts of \$30,917 were improperly posted as Taxes in the Road and Bridge Fund.
- Debt payments of \$29,671 were improperly posted as Capital Outlay in the Road and Bridge Fund

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and 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 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 and expenditures.

**Official's Response:** The Township will try to correct moving forward.

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# Dave Yost • Auditor of State

FALLS 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  
JULY 29, 2014