



Dave Yost • Auditor of State

**GREEN TOWNSHIP
CLINTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash 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>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	21

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Green Township
Clinton County
10850 SR 28
New Vienna, Ohio 45159

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Green Township, Clinton 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 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.

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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, 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 Green Township, Clinton 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Green 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 December 16, 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

December 16, 2013

**GREEN TOWNSHIP
CLINTON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$22,775	\$57,867	\$80,642
Licenses, Permits and Fees		6,925	6,925
Intergovernmental	112,942	107,370	220,312
Earnings on Investments	92	24	116
Miscellaneous	1,612	5,961	7,573
<i>Total Cash Receipts</i>	<u>137,421</u>	<u>178,147</u>	<u>315,568</u>
Cash Disbursements			
Current:			
General Government	41,849	31,497	73,346
Public Works	322	75,907	76,229
Health	3,583	12,424	16,007
Capital Outlay	8,449		8,449
<i>Total Cash Disbursements</i>	<u>54,203</u>	<u>119,828</u>	<u>174,031</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>83,218</u>	<u>58,319</u>	<u>141,537</u>
<i>Net Change in Fund Cash Balances</i>	83,218	58,319	141,537
<i>Fund Cash Balances, January 1</i>	<u>94,181</u>	<u>112,209</u>	<u>206,390</u>
Fund Cash Balances, December 31			
Restricted	0	181,936	181,936
Unassigned (Deficit)	<u>177,399</u>	<u>(11,408)</u>	<u>165,991</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$177,399</u></u>	<u><u>\$170,528</u></u>	<u><u>\$347,927</u></u>

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

**GREEN TOWNSHIP
CLINTON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$22,059	\$51,555	\$73,614
Licenses, Permits and Fees		8,250	8,250
Intergovernmental	68,836	103,130	171,966
Earnings on Investments	112	40	152
Miscellaneous	1,474	5,750	7,224
<i>Total Cash Receipts</i>	<u>92,481</u>	<u>168,725</u>	<u>261,206</u>
Cash Disbursements			
Current:			
General Government	39,826	43,664	83,490
Public Works		100,868	100,868
Health	7,067	25,870	32,937
<i>Total Cash Disbursements</i>	<u>46,893</u>	<u>170,402</u>	<u>217,295</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>45,588</u>	<u>(1,677)</u>	<u>43,911</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	6,260	2,603	8,863
<i>Total Other Financing Receipts (Disbursements)</i>	<u>6,260</u>	<u>2,603</u>	<u>8,863</u>
<i>Net Change in Fund Cash Balances</i>	51,848	926	52,774
<i>Fund Cash Balances, January 1</i>	<u>42,333</u>	<u>111,283</u>	<u>153,616</u>
Fund Cash Balances, December 31			
Restricted	0	124,079	124,079
Unassigned (Deficit)	94,181	(11,870)	82,311
<i>Fund Cash Balances, December 31</i>	<u>\$94,181</u>	<u>\$112,209</u>	<u>\$206,390</u>

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

**GREEN TOWNSHIP
CLINTON 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 the Green Township, Clinton County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and general government services.

The Township participates in a jointly governed organizations and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 9 and 10 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

The Township participates in the Clinton Highland Joint Fire District (the District), a jointly governed organization. Note 7 to the financial statements provides additional information for this entity.

Public Entity Risk Pool:

The pool provides insurance and bonding coverage for the Township. Note 6 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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:

**GREEN TOWNSHIP
CLINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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:

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 to pay for constructing, maintaining, and repairing Township roads.

Motor Vehicle License Fund – This fund receives license tax money to pay for 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, 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting. The Township did not encumber all commitments required by Ohio law.

**GREEN TOWNSHIP
CLINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

The Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

**GREEN TOWNSHIP
CLINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

2. Equity in Pooled Deposits and Investments

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

	2012	2011
Total Demand Deposits	\$347,927	\$206,390

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

Budgetary activity for the years ending December 31, follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,017	\$137,421	(\$7,596)
Special Revenue	174,705	178,147	3,442
Total	\$319,722	\$315,568	(\$4,154)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,233	\$54,203	\$107,030
Special Revenue	288,800	119,828	168,972
Total	\$450,033	\$174,031	\$276,002

**GREEN TOWNSHIP
CLINTON COUNTY**

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

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,464	\$98,471	\$7,007
Special Revenue	160,165	171,328	11,163
Total	\$251,629	\$269,799	\$18,170

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,442	\$46,893	\$12,549
Special Revenue	282,685	170,402	112,283
Total	\$342,127	\$217,295	\$124,832

4. Property Tax

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

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

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

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

5. Retirement Systems

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 this plans' 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 Village contributed an amount equaling 14% of participants' gross salaries.

**GREEN TOWNSHIP
CLINTON COUNTY**

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

6. Risk Management

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

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

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

	<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 \$3,000.

**GREEN TOWNSHIP
CLINTON COUNTY**

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

6. Risk Management (continued)

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

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
4,447	3,789

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.

7. Jointly Governed Organizations

The Clinton Highland Joint Fire District (the District) is comprised of a five-member Board of Trustees which governs the District. One board member is appointed by each political subdivision within the District. Those subdivisions are Green Township and Wayne Township in Clinton County; Union Township and Penn Township in Highland County; and the Village of New Vienna. The District provides fire protection and rescue services within the Township and by contract to areas outside the District.

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

Green Township
Clinton County
10850 SR 28
New Vienna, Ohio 45159

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 the Green Township, Clinton County, Ohio (the Township), as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated December 16, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. And, wherein we noted the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 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 and 2012-004 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 2012-005.

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

December 16, 2013

**GREEN TOWNSHIP
CLINTON 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

Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-02, requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Revised Code, Section 507.11(B), states that no money belonging to a township may be paid out except upon an order signed personally by at least two trustees and countersigned by the fiscal officer

We noted the following conditions related to the Township's accounting system:

- We identified checks that were not issued in numerical order and were dated earlier/later than the actual check issuance date, which indicates that the Township manipulated the check dates in the accounting system.
- We identified eight checks that the Township voided in the system, but the checks cleared the bank. We also identified four checks that were recorded as cleared in the accounting system during the current month; however, they did not clear until the following month.
- During 2012, certain checks that were carried as outstanding checks on the month-end reconciliations were re-entered as miscellaneous expenditures, resulting in overstated expenditures.
- The Township's list of outstanding checks as of December 31, 2012 contained checks that were never issued by the Township (the hard copy check was marked void). This required an audit adjustment to the 2011 accounting records in the amount of (\$2,495) in the General Fund and (\$2,153) in the Special Revenue Fund balance.
- The Township did not perform reconciliations during February-March and July-October during 2011.
- The Township recorded a large adjusting factor on their monthly reconciliations during 2011 because the Township incorrectly posted prior year adjustments. This resulted in a Cemetery fund balance adjustment of \$65,992 during 2011.
- We identified 11 of 68 handwritten checks which the Township entered into the accounting system as a check number different than the actual check number that cleared the bank.
- For five of 68 expenditures tested, the Township used the direct method of payment instead of using a purchase order.
- For 21 of 68 expenditures tested, the Township did not retain documentation to support the payment attached to the voucher packet. We were able to obtain supporting documentation through alternate audit procedures.
- One payroll W-2 form identified a \$105 reimbursement that the Township did not include in the payroll ledgers.

**FINDING NUMBER 2012-001
(Continued)**

- The Township did not retain supporting documentation for 11 of 33 receipts tested. We were able to obtain supporting documentation through alternate audit procedures.
- The Township posted Real Estate taxes and Estate taxes at the net amount rather than the gross amount.
- Receipts for the opening and closing of graves were reported as Taxes in the amount of \$500 in the General Fund during 2011.
- Gas Tax Excise Tax monies in the amount of \$2,161 were posted in the General Fund during 2011, these monies should have been recorded in the Gas Tax Fund as intergovernmental receipts.
- Property tax rollbacks and tangible personal property tax receipts in the amount of \$3,864 were posted as General Fund taxes and miscellaneous receipts during 2011, these monies should have been recorded in the Road & Bridge Fund as intergovernmental receipts.
- Finding for Recovery repayment was recorded into the General Fund in the amount of \$2,603 and should have been recorded in the Gas Tax Fund, during 2011.

Audit adjustments and reclassification were made to the Township's financial statements and accounting records to correct the above errors.

Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

We recommend that the Township review the UAN chart of accounts to be able to properly classify revenues and expenditures. All warrants should be issued in numerical order, signed by the fiscal officer and two trustees, and the warrant numbers should agree to the number recorded in the accounting system.

Additionally the Township should implement controls to ensure that all expenditures are properly supported.

Officials' Response:

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

FINDING NUMBER 2012-002

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**FINDING NUMBER 2012-002
(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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village 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 availability of funds was not certified prior to the time of commitment in 40% (27/68) of expenditures tested nor did the Township use the aforementioned exceptions. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

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

Officials' Response:

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

FINDING NUMBER 2012-003

Noncompliance/Finding Repaid Under Audit

Ohio Revised Code, Section 507.02, provides that when a township fiscal officer is unable to carry out the duties of office because of illness, the board of township trustees shall appoint a deputy fiscal officer, who shall have full power to discharge the duties of the office. The deputy fiscal officer shall serve during the period of the time the fiscal officer is absent or incapacitated, or until a successor fiscal officer is elected and qualified. The board shall, by resolution, adjust and determine the compensation of the fiscal officer and deputy fiscal officer. The total compensation of both the fiscal officer and any deputy fiscal officer shall not exceed the sums fixed by section 507.09 of the Revised Code in any one year.

During 2011, the fiscal officer, John Vergne, was unable to carry out the duties of the office because of illness. The Township trustees appointed a deputy fiscal officer at a rate of \$15 per hour. The fiscal officer's salary was not reduced by the amount paid to the deputy fiscal officer. This resulted in an overpayment of \$616 to fiscal officer John Vergne as calculated below:

Fiscal Officer Compensation Paid to John Vergne	\$4,749
Fiscal Officer Compensation Paid to Dee Deboard	8,600
Total amount paid for Fiscal Officer Compensation Paid during 2011	13,349
Total allowable Fiscal Officer Compensation, Per section 507.09 ORC	12,733
Amount overpaid for Fiscal Officer Compensation during 2011	616
Overpayment amount to John Vergne for Fiscal Officer Compensation during 2011	616

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against John Vergne, former Fiscal Officer, and his bonding company, Ohio Township Association Risk Management Authority in the amount of \$616 and in favor of the Green Township General Fund.

On December 5, 2013, Brenda Vergne, wife of John Vergne, issued a check to Green Township for \$616. This finding for recovery is considered paid under audit.

Officials' Response:

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

FINDING NUMBER 2012-004

Noncompliance/Material Weakness

Ohio Revised Code, 505.24 (C), and 2004 OAG Opinion 2004-036 require trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on 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 services 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 the restricted funds.

Trustees maintained sheets documenting time spent on specific Township activities. Trustees salaries, insurance and PERS were not allocated in accordance with the documentation maintained by the Trustees. Failure to allocate the salaries caused salaries and benefits to be charged to the wrong funds and resulted in the following adjustments:

**FINDING NUMBER 2012-004
 (Continued)**

Year	Item	Amount	Proper Classification	Classification Reported
2012	Salaries & Withholdings	\$2,556	General Fund-General Government Expenditures	Special Revenue-General Government Expenditures
2011	Salaries & Withholdings	\$13,611	General Fund-General Government Expenditures	Special Revenue-General Government and Public Works Expenditures

We recommend that the Township establish administrative procedures to ensure that payroll and the related benefits are allocated based on the documentation that the trustees maintain. Allocating payroll based on the documentation will permit the Township to be in compliance with OAG opinion 2004-036. The financial statements and the Township’s accounting records have been adjusted to properly report trustee salaries.

Officials’ Response:

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

FINDING NUMBER 2012-005

Noncompliance

Ohio Revised Code, 117.13(C)(3), provides that local governments can charge audit costs to funds other than the general fund only if the charges are properly allocated to those funds. The Township did not provide documentation to support the audit cost allocation and the majority was charged to special revenue funds.

Failure to provide support for audit cost allocations resulted in the following adjustment:

Description	Amount
2011 General Fund - General Government	\$2,265
2011 Gas Tax Fund – General Government	(\$ 506)
2011 Gas Tax Fund – Public Works	(\$1,759)

We recommend that the Township determine which funds should be charged a percentage of the audit costs and provide documentation to support the calculation. Most operating funds of a local government, including utility funds (i.e., water, sewer, electric, refuse), special levy funds, funds that receive gas taxes, and motor vehicle registration fees can be charged a portion of the audit costs.

Officials’ Response:

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

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**GREEN TOWNSHIP
CLINTON 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>
2010-001	Ohio Admin. Code Section 117-2-02, maintain an accounting system.	No	Reissued as 2012-001
2010-002	Ohio Revised Code, 5705.41 (D)(1), expenditures not properly encumbered.	No	Reissued as 2012-002
2010-003	Ohio Revised Code, 507.02, Township Fiscal Officer was overpaid per the Fiscal Officer Compensation charts	No	Reissued as 2012-003
2010-004	Ohio Revised Code, Section 505.60, insurance premiums were overpaid for Trustees. Finding for Recovery	Yes	Corrected
2010-005	Ohio Revised Code Section 505.60, Finding for Recovery for insurance premiums	Yes	Corrected
2010-006	Ohio Revised Code, Section 5705.36(A)(4), appropriations exceeding actual resources.	Yes	Corrected
2010-007	Ohio Revised Code, 507.02, Finding for Recovery for overpayment of per time sheet.	Yes	Corrected
2010-008	Ohio Revised Code, 505.24(C), Trustees salaries, insurance and PERS were not allocated properly.	No	Reissued as 2012-004

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Dave Yost • Auditor of State

GREEN TOWNSHIP

CLINTON 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
JANUARY 2, 2014**