



Dave Yost • Auditor of State

**PRAIRIE TOWNSHIP
HOLMES COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Prairie Township
Holmes County
8186 CR 189
Holmesville, OH 44633

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Prairie Township, Holmes County, (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.

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 year 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 Prairie Township, Holmes County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 Prairie 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 September 20, 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 20, 2013

**PRAIRIE TOWNSHIP
HOLMES 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)
Cash Receipts			
Property and Other Local Taxes	\$72,543	\$191,934	\$264,477
Charges for Services	0	31,852	31,852
Intergovernmental	27,640	140,840	168,480
Earnings on Investments	634	58	692
Miscellaneous	7,488	10,967	18,455
<i>Total Cash Receipts</i>	<u>108,305</u>	<u>375,651</u>	<u>483,956</u>
Cash Disbursements			
Current:			
General Government	101,236	0	101,236
Public Safety	0	99,607	99,607
Public Works	0	256,833	256,833
Health	4,085	3,864	7,949
Capital Outlay	0	7,677	7,677
<i>Total Cash Disbursements</i>	<u>105,321</u>	<u>367,981</u>	<u>473,302</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,984</u>	<u>7,670</u>	<u>10,654</u>
<i>Fund Cash Balances, January 1</i>	<u>45,756</u>	<u>517,523</u>	<u>563,279</u>
Fund Cash Balances, December 31			
Restricted	0	525,193	525,193
Unassigned	48,740	0	48,740
<i>Fund Cash Balances, December 31</i>	<u><u>\$48,740</u></u>	<u><u>\$525,193</u></u>	<u><u>\$573,933</u></u>

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

PRAIRIE TOWNSHIP
HOLMES COUNTY

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

	<u>Fiduciary Fund Types</u>
	Private Purpose Trust
Operating Cash Receipts	\$0
Operating Cash Disbursements	0
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	4,131
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,131</u></u>

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

**PRAIRIE TOWNSHIP
HOLMES 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$31,835	\$241,320	\$273,155
Charges for Services	0	33,136	33,136
Intergovernmental	21,099	157,744	178,843
Earnings on Investments	1,640	859	2,499
Miscellaneous	4,041	14,118	18,159
<i>Total Cash Receipts</i>	<i>58,615</i>	<i>447,177</i>	<i>505,792</i>
Cash Disbursements			
Current:			
General Government	74,256	0	74,256
Public Safety	0	120,840	120,840
Public Works	0	285,876	285,876
Health	2,280	9,691	11,971
Capital Outlay	0	342,375	342,375
<i>Total Cash Disbursements</i>	<i>76,536</i>	<i>758,782</i>	<i>835,318</i>
<i>Excess of Receipts (Under) Disbursements</i>	<i>(17,921)</i>	<i>(311,605)</i>	<i>(329,526)</i>
<i>Fund Cash Balances, January 1</i>	<i>63,677</i>	<i>829,128</i>	<i>892,805</i>
Fund Cash Balances, December 31			
Restricted	0	517,523	517,523
Unassigned	45,756	0	45,756
<i>Fund Cash Balances, December 31</i>	<i>\$45,756</i>	<i>\$517,523</i>	<i>\$563,279</i>

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

PRAIRIE TOWNSHIP
HOLMES COUNTY

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

	<u>Fiduciary Fund</u>
	Private Purpose Trust
Operating Cash Receipts	<u>\$0</u>
Operating Cash Disbursements	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	<u>4,131</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,131</u></u>

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

**PRAIRIE TOWNSHIP
HOLMES 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 Prairie Township, Holmes 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, fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for these entities.

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:

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:

**PRAIRIE TOWNSHIP
HOLMES COUNTY**

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

1. Summary of Significant Accounting Policies

D. Fund Accounting (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 to pay for constructing, maintaining, and repairing Township roads.

Road District Levy Fund – This fund is used to account for road levy tax money to pay for constructing, maintaining, and repairing Township roads.

Fire District Fund – This fund is used to account for tax revenues levied to provide fire protection services to the Township, in addition to revenues generated from charges for services to provide emergency medical services for Township residents.

3. Fiduciary Funds (Trust Fund)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township had the following private purpose trust fund:

Cemetery Bequest Fund – This fund is used to account for donated monies that are to be used to maintain the cemetery.

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 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

**PRAIRIE TOWNSHIP
HOLMES COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

 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

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first

**PRAIRIE TOWNSHIP
HOLMES COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

3. 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
Demand deposits	\$477,064	\$466,410
Certificates of deposit	101,000	101,000
Total deposits and investments	\$578,064	\$567,410

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

Investments: As of December 31, 2012 and 2011 the Township held Certificates of Deposits.

4. Budgetary Activity

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

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,500	\$108,305	\$805
Special Revenue	369,150	375,651	6,501
Total	\$476,650	\$483,956	\$7,306

**PRAIRIE TOWNSHIP
HOLMES COUNTY**

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

4. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$208,000	\$105,321	\$102,679
Special Revenue	822,263	367,981	454,282
Total	\$1,030,263	\$473,302	\$556,961

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,300	\$58,615	(\$5,685)
Special Revenue	411,100	447,177	36,077
Total	\$475,400	\$505,792	\$30,392

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$165,000	\$76,536	\$88,464
Special Revenue	1,167,250	758,782	408,468
Total	\$1,332,250	\$835,318	\$496,932

Contrary to Ohio law, the Township did not certify the availability of funds prior to incurring the obligations for the years ended December 31, 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.

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

**PRAIRIE TOWNSHIP
HOLMES COUNTY**

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

6. Retirement Systems

The Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these 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 Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

7. 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.

	<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>

**PRAIRIE TOWNSHIP
HOLMES COUNTY**

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

7. Risk Management (Continued)

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 \$8,000.

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.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$12,762	\$13,126

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.

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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*

Prairie Township
Holmes County
8186 CR 189
Holmesville, OH 44633

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 governmental activities of Prairie Township, Holmes County, (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 December 20, 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. We also noted that the Township adopted new accounting guidance in Governmental Accounting Standards Board 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 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 and 2012-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying schedule of findings to be a significant deficiency.

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 and 2012-002.

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 20, 2013

PRAIRIE TOWNSHIP
HOLMES COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

Certifying Obligations

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code Section 5705.41(D) 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.

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 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 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.

<i>Finding Number</i>	2012-001 (Continued)
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During fiscal years 2012 and 2011, 19 out of the 30 (63%) transactions tested were not properly certified prior to incurring the obligation. Of these exceptions, 3 out of the 15 (16%) were over \$3,000 and the then and now certificate was not consequentially approved by the Board. In addition, during fiscal year 2011, 11 out of the 15 (73%) of the transactions tested were certified as then and now certificates. Then and now certificates are to be utilized for emergency purposes and sparingly.

The Fiscal Officer should inform the Township of the requirements of Ohio Rev. Code Section 5705.41 (D). The Township should also ensure all payments are encumbered and properly certified to payment. The Township should implement the use of so called then and now certificates and blanket certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for reoccurring and reasonably predictable matters or emergency matters which arise from time to time.

Unless the exceptions noted as 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 obligation by the Township. When prior certification is not possible, "then and now" certification should be used; however, these certificates should not to be used as an everyday practice. They are intended for emergency purposes and to be utilized sparingly.

The Township should 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 Township 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.

Allocating Trustee Salaries

<i>Finding Number</i>	2012-002
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NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Revised Code §505.24(C)

During the early part of 2011, **Ohio Revised Code §505.24(C)** required trustees to establish administrative procedures to document the proportionate amount chargeable to restricted township funds based on the kinds of services rendered. The "administrative procedures" could be timesheets or a similar method of record keeping, as long as the trustees documented all time spent on township business and the type of services performed, in a manner similar to trustees paid per diem compensation. Under the old law, if trustees did not document their time, then no part of their salaries could be paid from the restricted funds.

HB 153, which went into effect September 29th, 2011, amended ORC 505.24(C) to no longer require townships to document their time. For township trustees who choose to be paid on a salary basis, the law now requires them to certify the proportion of their time spent working on matters chargeable to restricted funds. The certification, like the documentary support for the prior version of 505.24(C), must reflect the actual time spent on a restricted fund. If trustees do not sign a certification, then no part of their salaries may be paid from the restricted funds.

<i>Finding Number</i>	2012-002 – (Continued)
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During 2011, a portion of the Township Trustees salaries were paid from the Fire Fund in the amount of \$8,505 and the Gasoline Tax Fund in the amount of \$6,072; however, the Township did not maintain service effort reports during the fiscal year to support the restricted fund activity, as required under the prior version of ORC 505.24. Additionally, the Township did not sign any certification that the Trustees spent any time doing work attributable to any restricted fund. The Township has made the adjustments in their accounting system.

The Trustees should establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered. The adjustments have been posted to the financial statements and made by the Township in their accounting records.

Receipt Reclassifications

<i>Finding Number</i>	2012-003
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MATERIAL WEAKNESS

Throughout the audit period we noted several items were not properly classified by the Township. Such items included:

- * Homestead and rollback revenue (\$8,752 and \$139 for the General Fund and \$23,307 and \$27,721 for the special revenue funds during 2012 and 2011, respectively) were posted as property taxes rather than intergovernmental revenue.
- * Undivided Liquor Permits (\$2,158 in 2012) in the General Fund were posted as licenses, permit and fees rather than intergovernmental revenue;
- * A trauma and emergency services grant (\$6,800 in 2011) in a special revenue fund was posted as miscellaneous revenue rather than intergovernmental revenue;
- * A MVE Credit from the County for contracted projects (\$10,000 in 2012 and \$20,000 in 2011) was posted entirely to the General Fund instead of Road and Bridge Fund in 2012 and as miscellaneous revenue rather than intergovernmental revenue in both fiscal years;
- * Excess Kilowatt Reimbursements (\$799 in 2012) in the General Fund was posted as miscellaneous revenue rather than intergovernmental revenue.

These reclassifications have been posted to the financial statements. In addition, the adjustment has been posted to the financial statements and made by the Township in their accounting records.

The Township Fiscal Officer should review the monthly financial report to help ensure recorded receipts/expenditures are posted to the proper account or line item based on the type of activity. In addition, the Township's annual report should be reviewed for accuracy and consistency with prior reports. This will help provide the Township with fairly presented statements and the ability to analyze financial information in a consistent manner.

Official's Response: The Township Official's choose not to reply.

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Dave Yost • Auditor of State

PRAIRIE TOWNSHIP

HOLMES 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
FEBRUARY 25, 2014**