



Mary Taylor, CPA
Auditor of State

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

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Mary Taylor, CPA
Auditor of State

Deercreek Township
Pickaway County
104 South Main Street
Williamsport, OH 43164

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 24, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Deercreek Township
Pickaway County
104 South Main Street
Williamsport, Ohio 43164

To the Board of Trustees:

We have audited the accompanying financial statements of Deercreek Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and December 31, 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Deercreek Township, Pickaway County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

June 24, 2010

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 19,625	\$ 87,570	\$ 107,195
Licenses, Permits, and Fees	849	18,150	18,999
Intergovernmental	20,378	113,398	133,776
Earnings on Investments	1,100	2,993	4,093
Miscellaneous	350	5,300	5,650
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	42,302	227,411	269,713
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	84,913	-	84,913
Public Safety	-	7,635	7,635
Public Works	-	60,152	60,152
Health	4,301	33,087	37,388
Conservation/Recreation	1,326	-	1,326
Capital Outlay	2,079	25,830	27,909
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	92,619	126,704	219,323
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(50,317)	100,707	50,390
Fund Cash Balances, January 1	97,539	777,325	874,864
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 47,222</u>	<u>\$ 878,032</u>	<u>\$ 925,254</u>

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

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Fiduciary Fund Type
	Private Purpose Trust
Non-Operating Cash Receipts:	
Earnings on Investments	\$ 71
Total Non-Operating Cash Receipts	71
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	77
Total Non-Operating Cash Disbursements	77
Net Receipts Under Disbursements	(6)
Fund Cash Balances, January 1	7,574
Fund Cash Balances, December 31	\$ 7,568

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

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 15,026	\$ 88,267	\$ 103,293
Licenses, Permits, and Fees	3,315	12,000	15,315
Intergovernmental	110,572	119,561	230,133
Earnings on Investments	1,686	4,305	5,991
Miscellaneous	31	2,075	2,106
	<u>130,630</u>	<u>226,208</u>	<u>356,838</u>
Total Cash Receipts			
	<u>130,630</u>	<u>226,208</u>	<u>356,838</u>
Cash Disbursements:			
Current:			
General Government	79,647	-	79,647
Public Safety	-	1,395	1,395
Public Works	-	56,991	56,991
Health	9,000	26,386	35,386
Conservation/Recreation	942	-	942
Capital Outlay	40,000	13,699	53,699
	<u>129,589</u>	<u>98,471</u>	<u>228,060</u>
Total Cash Disbursements			
	<u>129,589</u>	<u>98,471</u>	<u>228,060</u>
Total Receipts Over Disbursements	<u>1,041</u>	<u>127,737</u>	<u>128,778</u>
Other Financing Receipts:			
Sale of Fixed Assets	-	2,120	2,120
	<u>-</u>	<u>2,120</u>	<u>2,120</u>
Total Other Financing Receipts			
	<u>-</u>	<u>2,120</u>	<u>2,120</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<u>1,041</u>	<u>129,857</u>	<u>130,898</u>
Fund Cash Balances, January 1	<u>96,498</u>	<u>647,468</u>	<u>743,966</u>
Fund Cash Balances, December 31	<u><u>\$ 97,539</u></u>	<u><u>\$ 777,325</u></u>	<u><u>\$ 874,864</u></u>

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

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Fiduciary Fund Type
	Private Purpose Trust
Non-Operating Cash Receipts:	
Earnings on Investments	\$ 111
Miscellaneous Receipts	440
Total Non-Operating Cash Receipts	551
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	77
Total Non-Operating Cash Disbursements	77
Net Receipts Over Disbursements	474
Fund Cash Balances, January 1	7,100
Fund Cash Balances, December 31	\$ 7,574

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

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Deercreek Township, Pickaway County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance and cemetery maintenance. The Township contracts with the Williamsport-Deercreek Volunteer Fire Department for fire protection. Police protection is provided by Pickaway County Sheriff's Department. The Township contracts with the Village of Williamsport for emergency medical ambulance services.

The Township participates in one joint venture, one jointly governed organizations and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6, 7, and 8 respectively to the financial statements provides additional information for these entities. These organizations are:

Joint Venture:

Williamsport-Deercreek Volunteer Fire Department – This organization was established by the Village of Williamsport and Deercreek Township to provide fire protection services to the residents of the Village and the Township.

Jointly Governed Organization:

Williamsport-Deercreek Recreation Board – This Board was established by the Village of Williamsport and Deercreek Township to provide, promote, and develop recreational opportunities for the residents of the Village and the Township.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority – This risk-sharing pool, available to Ohio Townships provides property and casualty insurance for its members.

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.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

3. Fiduciary Funds

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's private purpose trust fund is for the benefit of individuals through cemetery bequests which are not available to support the Township's own programs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

G. 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.

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 at December 31 was as follows:

	2009	2008
Demand Deposits	\$925,199	\$874,815
Certificates of deposit	7,623	7,623
Total deposits	932,822	882,438

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,442	\$42,302	(\$4,140)
Special Revenue	209,899	227,411	17,512
Trust Fund	320	71	(249)
Total	\$256,661	\$269,784	\$13,123

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,700	\$92,619	\$67,081
Special Revenue	797,500	126,704	670,796
Trust Fund	450	77	373
Total	\$957,650	\$219,400	\$738,250

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$131,931	\$130,630	(\$1,301)
Special Revenue	199,460	228,328	28,868
Trust Fund	0	551	551
Total	\$331,391	\$359,509	\$28,118

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,112	\$129,589	\$31,523
Special Revenue	796,064	98,471	697,593
Trust Fund	440	77	363
Total	\$957,616	\$228,137	\$729,479

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.

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. Tangible personal property tax is being phased out – the assessment percentage for all property including inventory will be reduced to zero for 2009.

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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Risk Management (Continued)

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,991.

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	
2007	\$5,063
2008	\$5,453

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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. Joint Venture

The Township is a participant with the Village of Williamsport in the Williamsport Village-Deercreek volunteer Fire Department, which provides fire protection services to the Township and surrounding areas. The Williamsport-Deercreek Volunteer Fire Department was established by an agreement between Deercreek Township and the Village of Williamsport.

The Village of Williamsport is solely responsible for payment to the Ohio Bureau of worker's Compensation for the employed persons and volunteer firefighters serving the department, as well as the telephone service, the monthly inspection fee for fire equipment over and above the portion paid from the Joint Fire Fund, the gas and water expense for the building where the equipment is housed as well as for the office space in the Township building, and 50 % of all matching funds required for grants awarded to the Volunteer Fire Department. Deercreek Township is responsible for the contribution of 5 bays to house the fire trucks of the department, storage for all equipment and the office space of the volunteer fire department, insurance and electricity for the building where the trucks, equipment, and office are housed, and 50% of all matching funds required for grants awarded to the Volunteer Fire Department. Deercreek Township and the Village of Williamsport are equally responsible for all other expenses required to maintain the operation of the Volunteer Fire Department. The activities of the Volunteer Fire Department are reflected on the financial statements of the Village of Williamsport.

As of December 31, 2009 Williamsport-Deercreek Volunteer Fire Department filed a Certificate of Dissolution with the Secretary of the State of Ohio, which discontinued its operations.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Jointly Governed Organization

The Township, in conjunction with the Village of Williamsport, created the Williamsport-Deercreek Recreation Board that is responsible for providing, promoting, and developing recreational opportunities for the residents of the Village of Williamsport and Deercreek Township. The Board Members of the Recreation Board include two members appointed by the Township, two members appointed by the Village and one member appointed by the Board Members. During 2009 and 2008 the township did not contribute any funds toward the operation of the Recreation Board. The Township does not act as fiscal agent for the Board, thus, the activities of the Board are not reflected in the Township's financial statements.

9. Subsequent Event

Effective January 1, 2010 the Township became part of Southwest Pickaway Fire District, a jointly governed organization of the Township. This organization provides fire services to the Township. The Township appoints 1 member to the Fire District's 3 member board. The Township does not have ongoing financial obligations to the Fire District, but does have a fire protection agreement for services for \$2,000 a month or until a fire levy is passed.

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Mary Taylor, CPA

Auditor of State

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

Deercreek Township
Pickaway County
104 South Main Street
Williamsport, Ohio 43164

To the Board of Trustees:

We have audited the financial statements of Deercreek Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated June 24, 2010, wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-002 through 2009-004 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, providing an opinion 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 2009-001 through 2009-003.

We also noted a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 24, 2010.

We intend this report solely for the information and use of the finance committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 24, 2010

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Municipal Contracting – Noncompliance Finding

Ohio Rev. Code Section 5549.21 states in part that the board of township trustees may purchase or lease such machinery and tools as are necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township. All purchases of materials, machinery, and tools shall, if the amount involved exceeds twenty-five thousand dollars, be made from the lowest responsible bidder after advertisement, as provided in section 5575.01 of the Revised Code.

The Township purchased a dump truck totaling \$61,800 that was not competitively bid. This could also result in inaccurate and/or inappropriate expenditures being made.

We recommend the Board review the Ohio Revised Code requirements prior to solicitation of bids for any applicable purchase/contract which will exceed the \$25,000 threshold. The Township also should maintain all documentation related to any purchase/contract in the event that questions or concerns arise regarding the expenditure.

FINDING NUMBER 2009-002

Allocation of Trustee Salaries - Noncompliance Finding / Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036, and requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to restricted township funds other than the general fund, based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these restricted funds. The Township was notified of this requirement in the management letter dated April 4, 2008.

The Trustees kept documentation of the services performed within a monthly timesheet of hours per activity. However, it should be documented on a daily basis. Additionally, such timesheets did not document the funds from which these services should be paid from, nor were the services paid out of the proper funds based on the allocation of services documented. For 2008 financial statements and Township records, \$5,357 in expenditures were adjusted in the financial statements and records from the Motor Vehicle License Tax Fund and Gasoline Tax funds and applied to the General Fund for \$8,740 and Cemetery Fund for \$1,974. For 2009 financial statements and Township records, \$5,673 in expenditures were adjusted in the financial statements and records from the Motor Vehicle License Tax Fund and Gasoline Tax funds and applied to the General Fund for \$9,712 and Cemetery Fund for \$1,634.

We recommend the Township implement controls over the process of allocating trustee salaries and maintaining documentation on a daily basis detailing the services performed by each Trustee during the pay period to justify the time charged to the funds other than the Township's General Fund. We recommend the allocation of pay be based on the allocation of services performed.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003

Interest Allocation – Noncompliance Finding / Material Weakness

Ohio Revised Code Section 5705.131 states that the investment earnings on principal of a nonexpendable trust fund shall be credited to the fund.

Ohio Const. Article XII, Section 5a and 1982 Op. Att’y Gen. No. 82-031 stipulate that interest earned on motor vehicle license or fuel tax must be paid into the fund to which the principal belongs.

The Township recorded a portion of the Nonexpendable/Expendable Trust Fund’s interest earnings to the General Fund. The Township also posted a portion of interest earned on Motor Vehicle License Tax, Gasoline Tax, and Permissive Motor Vehicle License Tax Fund to the General Fund. During 2008 and 2009, there were several months that interest was allocated to the required funds but the overall allocation was not properly allocated. For 2008, \$2,433 of General Fund and \$137 of Private Purpose Trust Fund interest was removed and allocated to the Motor Vehicle License Tax, Gasoline Tax, and Permissive Motor Vehicle License Tax funds for \$80, \$2,438, and \$52, respectively. For 2009, \$2,044 of General Fund interest was removed and allocated to the Motor Vehicle License Tax, Gasoline Tax, Permissive Motor Vehicle License Tax, and Private Purpose Trust funds for \$35, \$1,835, \$109, and \$65, respectively.

We recommend the Township continue to post all interest earnings to the required funds based on the monthly cash balances of the funds required to receive interest.

FINDING NUMBER 2009-004

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer of the Township and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the Township’s financial statements and, where applicable, to the Township’s accounting records:

1. Adjustments to correct the incorrect allocation of the Trustees salaries’ to the Motor Vehicle License Tax Fund and Gasoline Tax Fund. According to the Trustees’ timesheet, their time on road related activities for the Township were less than what was actually allocated for these services. For 2008, \$5,357 in expenditures were removed from the Motor Vehicle License Tax and Gasoline Tax funds and applied to the General Fund for \$8,740 and Cemetery Fund for \$1,974. For 2009, \$5,673 in expenditures were removed from the Motor Vehicle License Tax and Gasoline Tax funds and applied to the General Fund for \$9,712 and Cemetery Fund for \$1,634.
2. Adjustments to correct the incorrect allocation of interest. For 2008, \$2,433 of General Fund and \$137 of Private Purpose Trust Fund interest was removed and allocated to the Motor Vehicle License Tax, Gasoline Tax, and Permissive Motor Vehicle License Tax funds for \$80, \$2,438, and \$52 respectively. For 2009, \$2,044 of General Fund interest was removed and allocated to the Motor Vehicle License Tax, Gasoline Tax, Permissive Motor Vehicle License Tax, and Private Purpose Trust funds for \$35, \$1,835, \$109, and 65 respectively.

**DEERCREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-004 (Continued)

Financial Reporting – Material Weakness (Continued)

3. The Township posted a \$1,000 bank to bank transaction as a receipt (book to bank) transaction. This adjustment will remove receipt from the Cemetery Fund and correct the fund balance.
4. Adjustment to correct beginning balances due to previous audit adjustments not posted which decreased the General Fund \$18,936 while increasing the Special Revenue Funds of Gasoline Tax \$11,707, Cemetery \$2, Road and Bridge \$2,752, Motor Vehicle License Tax \$4,341, and Permissive Motor Vehicle License Tax \$134.
5. During 2008 and 2009, the Fiscal Officer applied incorrect fund and receipt code between Property and Local Taxes and Intergovernmental. The above adjustment will properly reclassify the Property and Local Taxes and Intergovernmental into the proper funds and receipt codes. The net effect on fund balance for the funds were: In 2008 an increase to the special revenue fund type by \$7,260 with a corresponding decrease to the General Fund, with a total reclassification of \$25,673. In 2009 an increase to the special revenue fund type by \$7,185 with a corresponding decrease to the General Fund, with a total reclassification of \$21,794.

The following audit reclassifications were immaterial to the overall financial statements of the Township and were not posted to the financial statements.

1. Reclassification of 2009 Cemetery sale of lots from license, permits, and fees revenue to miscellaneous revenue for \$3,900 and openings and closings of graves from miscellaneous revenue to license permits and fees revenue for \$1,400.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

We recommend the Township develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increases the reliability of the financial data throughout the year. Such procedures may include review of the financial ledgers and financial statements by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions.

We did not receive a response from Officials to the findings reported above.

DEERCREEK TOWNSHIP
PICKAWAY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Allocation of Interest	No	Not Corrected, reissued as 2009-003
2007-002	Financial Reporting	No	Not Corrected, reissued as 2009-004



Mary Taylor, CPA
Auditor of State

DEERCREEK TOWNSHIP

PICKAWAY 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
AUGUST 31, 2010**