



Mary Taylor, CPA
Auditor of State

**GREEN TOWNSHIP
ADAMS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Green Township
Adams County
21092 US 52
Stout, Ohio 45684

Board of Trustees,

We have audited the accounts, financial records, files and reports of Green Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2006 and December 31, 2005, following Ohio Admin. Code Section 117-4-02.

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transaction.

There are reportable findings and conditions as a result of performing these procedures. These finding and conditions are described in the Schedule of Findings on pages 15 - 20.

The Township's General Fund balance of \$910 at December 31, 2006, indicates fiscal distress. Management's plan regarding this matter is described in Note 9 to the financial statements.

This report is intended solely for the information and use of management, the Township Trustees, and other officials authorized to receive this report under 117.26 of the Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 27, 2008

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**GREEN TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$5,930	\$35,318	\$41,248
Intergovernmental	19,107	101,410	120,517
Unclassified Receipts	2,392	2,578	4,970
Total Cash Receipts	27,429	139,306	166,735
Cash Disbursements:			
Current:			
General Government	460	0	460
Public Safety	0	716	716
Health	1,489	421	1,910
Debt Service:			
Principal Payment	4,166	0	4,166
Interest Payment	1,780	0	1,780
Unclassified Disbursements	36,776	120,342	157,118
Total Cash Disbursements	44,671	121,479	166,150
Total Receipts Over/(Under) Disbursements	(17,242)	17,827	585
Other Financing Receipts			
Other Financing Sources	0	9,225	9,225
Total Other Financing Receipts	0	9,225	9,225
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(17,242)	27,052	9,810
Fund Cash Balances, January 1	18,152	48,183	66,335
Fund Cash Balances, December 31	\$910	\$75,235	\$76,145
Reserve for Encumbrances, December 31	\$120	\$4,678	\$4,798

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

**GREEN TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$5,990	\$32,151	\$38,141
Intergovernmental	12,471	94,445	106,916
Unclassified Receipts	725	7,688	8,413
	<u>19,186</u>	<u>134,284</u>	<u>153,470</u>
Cash Disbursements:			
Current:			
General Government	1,705	0	1,705
Public Safety	0	669	669
Health	1,596	375	1,971
Capital Outlay	5,070	0	5,070
Debt Service:			
Principal Payment	0	2,464	2,464
Interest Payment	0	1,561	1,561
Unclassified Disbursements	37,675	115,088	152,763
Total Cash Disbursements	<u>46,046</u>	<u>120,157</u>	<u>166,203</u>
Total Receipts Over/(Under) Disbursements	<u>(26,860)</u>	<u>14,127</u>	<u>(12,733)</u>
Other Financing Receipts			
Proceeds from Note	5,070	0	5,070
Other Financing Sources	800	6,843	7,643
Total Other Financing Receipts	<u>5,870</u>	<u>6,843</u>	<u>12,713</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(20,990)	20,970	(20)
Fund Cash Balances, January 1	<u>39,142</u>	<u>27,213</u>	<u>66,355</u>
Fund Cash Balances, December 31	<u>\$18,152</u>	<u>\$48,183</u>	<u>\$66,335</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$1,180</u>	<u>\$1,180</u>

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

**GREEN TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Green Township, Adams 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 cemetery maintenance and fire protection.

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).

The Township did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000) and Ohio Administrative Code Section 117-5-11 (effective through June 30, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Township' maintains a cash pool used by all funds. All Township funds are maintained in an interest-bearing checking account with a local commercial bank. Interest income is distributed to Township funds based upon the Ohio Constitution.

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 or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**GREEN TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Fire Levy Fund – This fund receives proceeds from the property tax levy for providing fire protection to Township residents.

Gasoline Tax Fund - This fund receives gasoline tax money to pay to construct, maintain, and repair Township roads.

Motor Vehicle License Fund – This fund receives motor vehicle license tax money to construct, maintain, and repair Township roads.

E. Budgetary Process

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. The Township did not certify amounts available for expenditures to the County Auditor by the required date.

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 encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include items that should have been encumbered.

A summary of 2006 and 2005 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.

**GREEN TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. Equity in Pooled Cash

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

	2006	2005
Demand Deposits	\$76,145	\$66,335

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 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,278	\$27,429	\$15,151
Special Revenue	89,211	148,531	59,320
Total	\$101,489	\$175,960	\$74,471

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,450	\$44,791	\$11,659
Special Revenue	154,530	126,157	28,373
Total	\$210,980	\$170,948	\$40,032

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,270	\$25,056	\$5,786
Special Revenue	102,596	141,127	38,531
Total	\$121,866	\$166,183	\$44,317

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,671	\$46,046	\$9,625
Special Revenue	128,573	121,337	7,236
Total	\$184,244	\$167,383	\$16,861

**GREEN TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. Property Tax

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

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

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 Officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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 2006 and 2005, OPERS members contributed 9.0% and 8.5% respectively of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55% respectively of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

6. Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**GREEN TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Risk Pool Membership (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses.

Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do 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, 2006 and 2005.

**GREEN TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Risk Pool Membership (Continued)

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$14,284. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2004	\$8,151
2005	\$7,111
2006	\$7,142

**GREEN TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. Debt

Debt outstanding at December 31, 2006 consisted of the following:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Note for Tractor, collateralized by Tractor	\$25,983	5.03%
Bank Note for Fire Truck, collateralized by Fire Truck	\$3,488	6.70%

The annual requirements to amortize the outstanding debt of the Township as of December 31, 2006, including interest are as follows:

Year ending December 31:	<u>Tractor Loan</u>	<u>Fire Truck Loan</u>	<u>Total</u>
2007	\$4,025	\$1,921	\$5,946
2008	4,025	1,921	5,946
2009	4,025		4,025
2010	4,025		4,025
2011	4,025		4,025
2012-2014	11,882		11,882
Total	<u>\$32,007</u>	<u>\$3,842</u>	<u>\$35,849</u>

8. Compliance

Contrary to Ohio Rev. Code Section 507.04 the minutes did not contain all official actions of the Board.

Contrary to Ohio Admin. Code Section 117-2-01 the Township did not have a system of internal controls in place to ensure the reliability of financial reporting.

Contrary to Ohio Admin. Code Section 117-2-02 the Township did not maintain the required ledgers needed to record and report its transactions.

Contrary to Ohio Rev. Code Section 5705.41(D) all expenditures were not certified by purchase orders or blanket certificates.

Contrary to Ohio Rev. Code Section 5705.41(B) expenditures exceeded appropriations in two funds during 2005.

Contrary to Ohio Rev. Code Section 5705.39 appropriations exceeded the total resources in several funds.

Contrary to Ohio Rev. Code Section 5705.10(D) there were numerous classification and posting errors.

Contrary to Ohio Rev. Code Section 5747.07 (B)(4) the Township did not properly remit state income tax withholdings or complete and file the required forms to the state for employee withholdings.

**GREEN TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

9. Financial Condition

The Township's General Fund balance was \$910 at December 31, 2006. The Township plans to contact the Auditor of State Local Government Services to determine if a financial analysis is necessary regarding the financial condition of the township.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Green Township
Adams County
21092 US 52
Stout, Ohio 45684

To the Township Board of Trustees:

We have audited the accounts, financial records, files and reports, of Green Township, Adams County, Ohio (the Township), as of and for the year ended December 31, 2006 and 2005, and have issued our report thereon dated March 27, 2008.

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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003 and 2006-006 through 2006-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2006-002, 2006-006 and 2006-008, listed above are also material weaknesses. We also noted certain internal control matters that we reported to the Township's management in a separate letter dated March 27, 2008.

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 which are described in the accompanying schedule of findings as items 2006-001 through 2006-006 and 2006-008.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 27, 2008.

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



Mary Taylor, CPA
Auditor of State

March 27, 2008

**GREEN TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2006-001

Material Noncompliance and Significant Deficiency

Ohio Rev. Code, Section 507.04(A), requires, in part, that the township fiscal officer keep an accurate record of the proceedings of the board of township trustees at all of its meetings and of all its accounts and transactions. Green Township did not include all official business within their minutes. The minutes did not include the following:

- approval of all bills, debt, resolutions, financial and budgetary reports, monthly bank reconciliations, all budgetary actions, all employee/contract labor rates and approval of all prior meeting minutes;
- two instances where the bills were not actually approved in the minutes, however they were listed; and
- there were changes to the minutes, white-outs and strike-throughs, without any approvals of the changes.

The minutes are the official voice of the Trustees and should contain all official actions. Without the detail of official actions in the minutes, the Township does not have a complete written record of the transaction of each meeting to support official action or evidence of monitoring controls over the financial reporting of the Township. We recommend that all actions of the Trustees be approved in the minutes, the minutes be signed by the Clerk and Board President, and minutes be bound and safeguarded against loss.

FINDING NUMBER 2006-002

Material Noncompliance and Material Weakness

Ohio Admin. Code, Section 117-2-01(A), states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

Ohio Admin. Code, Section 117-2-01(B)(1), defines "Internal Control" as a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of certain objectives in several categories, including the reliability of financial reporting.

Ohio Admin. Code, Section 117-2-02(A), requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements among them being completeness, which requires that all account balances and transactions that should be included in the financial records are included. We noted the following discrepancies with the Township accounting records:

- The Township did not properly reconcile their fund balances to the bank balances.
- Receipt and Appropriation Ledgers were not maintained.
- Detailed expenditure documentation was not maintained with all vouchers and had to be requested.

**FINDING NUMBER 2006-002
(Continued)**

Due to these problems, additional costs were incurred by the Township for accounting services rendered by the Office of the Auditor of State, Local Government Services for reconciliations and the Auditor of State, Audit Division for preparation of financial reports for the period of January 1, 2003 through December 31, 2006.

We recommend the following:

- Proper monthly bank reconciliations should be performed and each reconciling item be identified.
- The receipts, disbursements, and fund cash balances in the annual report should agree with the cash book. Care should be taken when posting the annual report to properly classify receipts and disbursements.
- Receipt and Appropriation Ledgers should be properly maintained and balanced monthly with the cash book.
- Care should be exercised when posting to the records to avoid errors.
- Detailed documentation must be retained to support expenditures.

FINDING NUMBER 2006-003

Material Noncompliance and Significant Deficiency

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in 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 three thousand dollars (\$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.

FINDING NUMBER 2006-003
(Continued)

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.

The availability of funds was not certified in 88% of the transactions tested. This represents 85% in 2005 and 91% in 2006 of expenditures tested. As a result of not properly using purchase orders, unrecorded liabilities in the amount of \$1,180 in 2005 and \$2,016 in 2006 in the Gas Fund and \$120 in 2006 in the General Fund, and \$2,662 in 2006 in the Fire Fund were noted.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Clerk 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.

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 Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2006-004

Material Noncompliance

Ohio Rev. Code, Section 5705.39, requires that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. This certificate indicated that appropriations did exceed resources in 2005 and 2006. Appropriations exceeded the total resources in the following funds:

**FINDING NUMBER 2006-004
 (Continued)**

	Total Certified Resources	Total Appropriations	Variance
2005 - Motor Vehicle Fund	\$ 12,558	\$ 17,800	\$ (5,242)
2005 - Cemetery Fund	15,867	16,510	(643)
2005 - Fire Fund	25,861	32,580	(6,719)
2006 - General Fund	51,420	56,450	(5,030)
2006 - Motor Vehicle Fund	12,521	17,500	(4,979)
2006 - Gas Fund	72,719	75,000	(2,281)
2006 - Cemetery Fund	16,118	21,600	(5,482)
2006 - Fire Fund	34,856	39,250	(4,394)

Failure to limit appropriations to total estimated resources may result in the Township incurring obligations that exceed their available resources and negative fund balances. We recommend that the Township limit appropriations to total estimated resources per fund.

FINDING NUMBER 2006-005

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures that exceeded appropriations:

Fund	Appropriations	Actual Expenditures	Variance
2005 - Gas Tax Fund	\$ 60,197	\$ 65,133	\$ (4,936)
2005 - Cemetery Fund	16,510	17,840	(1,330)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend the Township limit expenditures to the appropriated amount. The Fiscal Officer should deny any payments until the Board has passed the necessary changes to the appropriation measure.

FINDING NUMBER 2006-006

Material Noncompliance and Material Weakness

Ohio Rev. Code, 5705.10(D), states in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Clerk made the following classification and posting errors:

- Homestead and Rollback was posted to General Fund instead of Cemetery and Fire Fund.
- State deregulation money was posted to General Fund instead of Fire Fund.
- Payroll posting to other funds without documentation/approval.

The net adjustments the Township needs to make to their records to increase/decrease fund balances to properly reflect receipts and expenditures in the proper funds are as follows (includes adjustments from 2003 – 2006):

**FINDING NUMBER 2006-006
(Continued)**

General Fund	\$ (2,157)
Motor Vehicle Fund	(127)
Gas Fund	(3,401)
Cemetery Fund	2,250
Fire Fund	3,435

Failure to post receipts and expenditures correctly inaccurately presents the Township's financial statements and could lead to the incorrect forecasting of future receipts and expenditures. We recommend the Fiscal Officer take greater care when posting receipts and expenditures to the line items and funds. Due to the amount of adjustments necessary to the General Fund the financial condition of the Township warrants a fiscal analysis.

FINDING NUMBER 2006- 007

Significant Deficiency

When designing the Township's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies and ensure the accounting records are properly completed, submitted as required, and copies retained for documentation.

The following deficiencies were noted in the Township's payroll:

- One instance of Medicare being calculated incorrectly in 2005.
- Salaries and withholdings were paid out of funds other than the general fund without documentation/approval and withholdings did not follow the same allocation as the payment of salaries.
- Withholding forms 941's were not always completed correctly, resulting in penalties and interest.
- W-2 forms were completed incorrectly related to PERS withholdings for 2005 and 2006. Also, no state tax withholding forms (IT-4's) were provided for audit. State tax withholdings were not remitted during 2001 through 2006.
- The Township utilized workers as employees and contract labor, however no documentation to support an actual contract with workers was maintained.

We recommend the following:

- The Clerk maintain current guidance on payroll calculations in order to stay current with any changes required.
- Proper documentation be maintained on hours worked to be allocated between funds other than the general fund. Withholdings should follow the same allocation as the pay.
- All payroll documents should be retained and proper completion instructions should be consulted to ensure the accurate payment of these withholdings. Withholdings should be remitted timely to prevent penalty and interest costs being assessed and the extra time and effort in correcting these errors. The Township should reconcile between the amounts withheld from employees and amounts remitted to the appropriate agencies to help ensure accurate reporting.

**FINDING NUMBER 2006- 007
(Continued)**

- The Township should contact the Internal Revenue Service regarding the discrepancies noted on the W-2's to determine what action is necessary, if any. The Township should contact the Ohio Department of Taxation to determine the appropriate submission of the state tax withholdings to minimize additional penalties and interest that may apply. Again, all documents related to payroll calculation, withholdings, submission and reporting should be retained.
- The Township review the designation of employee versus contracted labor and ensure that the proper documentation is maintained to support the method used for payment.

FINDING NUMBER 2006- 008

Material Noncompliance and Material Weakness

Ohio Rev. Code, Section 5747.07(B)(4), generally requires employers to make payment of unremitted state income taxes for each calendar quarter during which they were required to be withheld. No later than the last day of the month following the last day of each quarter they shall file the proper return with the payment. The Township did not properly remit any state income tax withholding or complete and file the required forms to the state for employee withholdings for 2001 through 2006. The Township is liable for \$2,186 through 2006. We recommend the Township contact the Ohio Department of Taxation immediately to minimize additional penalties and interest.

**GREEN TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 507.04 requires Township to include all official business in the minutes.	No	Repeated as finding 2006-001
2004-002	Ohio Admin. Code Section 117-2-01, 117-2-02, requires certain Township accounting records to be kept.	No	Repeated as finding 2006-002
2004-003	Ohio Rev. Code Section 5705.41(D), failure to properly certify funds.	No	Repeated as finding 2006-003
2004-004	Ohio Rev. Code Section 5705.39, total appropriations should not exceed total estimated revenue.	No	Repeated as finding 2006-004
2004-005	Ohio Rev. Code Section 5705.41(B), requires that no subdivision is to expend money unless it has been appropriated.	No	Repeated as finding 2006-005
2004-006	Ohio Rev. Code Section 5705.10, failure to post revenue to the appropriate fund, negative fund balances indicate money from other funds was used to cover the expenses of another fund.	No	Repeated as finding 2006-006
2004-007	Payroll Significant Deficiency in record processing and recordkeeping.	No	Repeated as finding 2006-007
2004-008	Ohio Rev. Code Section 5747.07 (B)(4) requires employers to make payment of unremitted state income taxes.	No	Repeated as finding 2006-008
2004-009	Ohio Rev. Code Section 102.03(D) prohibits use of position to secure anything of value.	Yes	



Mary Taylor, CPA
Auditor of State

GREEN TOWNSHIP

ADAMS 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
APRIL 29, 2008**