

**BENTON TOWNSHIP
HOCKING COUNTY
Regular Audit
For the Years Ended December 31, 2009 and 2008**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Board of Trustees
Benton Township
23514 State Route 56
South Bloomingville, Ohio 43152

We have reviewed the *Independent Accountants' Report* of Benton Township, Hocking County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Benton Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

December 3, 2010

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**BENTON TOWNSHIP
HOCKING COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

October 4, 2010

Benton Township
Hocking County
23514 State Route 56
South Bloomingville, OH 43152

To the Board of Trustees:

We have audited the accompanying financial statements of **Benton Township, Hocking 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. 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 the 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 2008 or their 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 and reserve for encumbrances of Benton Township, Hocking County, 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 October 4, 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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**BENTON TOWNSHIP
HOCKING 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:			
Local Taxes	\$ 152,995	\$ 57,274	\$ 210,269
Intergovernmental	21,115	103,306	124,421
Earnings on Investments	234	100	334
Miscellaneous	221	12,567	12,788
	<u>174,565</u>	<u>173,247</u>	<u>347,812</u>
Cash Disbursements:			
Current:			
General Government	88,704	8,339	97,043
Public Safety	2,782	18,000	20,782
Public Works	85,461	123,698	209,159
Health	4,597	-	4,597
	<u>181,544</u>	<u>150,037</u>	<u>331,581</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(6,979)	23,210	16,231
Fund Cash Balances, January 1	<u>66,539</u>	<u>64,311</u>	<u>130,850</u>
Fund Cash Balances, December 31	<u>\$ 59,560</u>	<u>\$ 87,521</u>	<u>\$ 147,081</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 111</u>	<u>\$ 111</u>

The notes to the financial statements are an integral part of the financial statements

**BENTON TOWNSHIP
HOCKING 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 146,758	\$ 55,728	\$ 202,486
Intergovernmental	32,356	107,203	139,559
Earnings on Investments	519	205	724
Miscellaneous	5,376	10,195	15,571
	<u>185,009</u>	<u>173,331</u>	<u>358,340</u>
Cash Disbursements:			
Current:			
General Government	102,977	2,838	105,815
Public Safety	2,279	18,000	20,279
Public Works	110,295	164,861	275,156
Health	4,565	-	4,565
	<u>220,116</u>	<u>185,699</u>	<u>405,815</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(35,107)	(12,368)	(47,475)
Fund Cash Balances, January 1	<u>101,646</u>	<u>76,679</u>	<u>178,325</u>
Fund Cash Balances, December 31	<u>\$ 66,539</u>	<u>\$ 64,311</u>	<u>\$ 130,850</u>

The notes to the financial statements are an integral part of the financial statements

**BENTON TOWNSHIP
HOCKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Benton Township, Hocking County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected three-member Board of Trustees and a publicly elected Fiscal Officer direct the Township. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection and emergency medical services. The Township contracts with the Village of Laurelville to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Deposits

The Township Fiscal Officer invests all available funds of the Township in an interest-bearing checking account.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**BENTON TOWNSHIP
HOCKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

Gasoline Tax Fund - This fund receives gasoline tax money 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.

Fire Special Levy Fund - This fund receives property tax money for providing fire protection services to the citizens of the Township.

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, and 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) unencumbered plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year.

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

**BENTON TOWNSHIP
HOCKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 147,081	\$ 130,850

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

3. BUDGETARY ACTIVITY

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

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 200,559	\$ 174,565	\$ (25,994)
Special Revenue	169,411	173,247	3,836
Total	<u>\$ 369,970</u>	<u>\$ 347,812</u>	<u>\$ (22,158)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 267,098	\$ 181,544	\$ 85,554
Special Revenue	233,722	150,148	83,574
Total	<u>\$ 500,820</u>	<u>\$ 331,692</u>	<u>\$ 169,128</u>

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 165,488	\$ 185,009	\$ 19,521
Special Revenue	172,800	173,331	531
Total	<u>\$ 338,288</u>	<u>\$ 358,340</u>	<u>\$ 20,052</u>

**BENTON TOWNSHIP
HOCKING COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 266,817	\$ 220,116	\$ 46,701
Special Revenue	242,114	185,699	56,415
Total	\$ 508,931	\$ 405,815	\$ 103,116

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, members of OPERS contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

6. RISK MANAGEMENT

Risk Pool Membership

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

**BENTON TOWNSHIP
HOCKING COUNTY**

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

6. RISK MANAGEMENT (Continued)

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. (APRCO), 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 APRCO. 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>

**BENTON TOWNSHIP
HOCKING 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 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 \$4,000.

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>	
2009	\$4,894
2008	\$5,414

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.

Perry & Associates
Certified Public Accountants, A.C.

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

October 4, 2010

Benton Township
Hocking County
23514 State Route 56
South Bloomingville, OH 43152

To the Board of Trustees:

We have audited the financial statements of **Benton Township, Hocking County, Ohio** (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 4, 2010 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

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 finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-002 through 2009-004 described in the accompanying schedule of findings to be significant deficiencies.

Benton Township
Hocking County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 2009-002 and 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 4, 2010.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**BENTON TOWNSHIP
HOCKING COUNTY**

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

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

FINDING NUMBER 2009-001

Material Weakness

Posting Receipts

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code. During 2009 and 2008, several receipts were not posted into accurate classifications based on the source of the receipt. The following posting errors were noted:

- Homestead and Rollback receipts were recorded as Property and Local Taxes instead of Intergovernmental in the General and Road and Bridge Funds in 2008.
- Stumpage receipts were recorded as Miscellaneous instead of Intergovernmental in the General, Road and Bridge, Fire Special Levy, and School Miscellaneous Funds in 2009 and 2008.
- Gasoline Tax receipt was recorded in Road and Bridge Fund instead of the Gasoline Tax Fund in 2008.

Not posting revenues accurately resulted in the financial statements requiring several reclassifications and one adjustment. The financial statements reflect all reclassifications and adjustments.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt accounts and posting of receipts.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2009-002

Significant Deficiency/Noncompliance Citation

26 Code of Federal Regulations Section 1.6041-2 provides that wages, as defined in 26 United States Code Section 3401 should be reported on a Form W-2, or "all other payments of compensation" are to be reported on a form 1099". 26 United States 3402 states "...every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computation procedures prescribed by the Secretary of the Treasury".

The Township did not issue an IRS Form 1099 for independent contractor services rendered during 2008 for which the Township paid the contractors over \$600.

The Township should issue a Form 1099 to all independent, unincorporated contractors to whom the Township pays \$600 or more in a given calendar year.

This matter will be referred to the Internal Revenue Service.

Management's Response – We did not receive a response from officials to this finding.

**BENTON TOWNSHIP
HOCKING COUNTY**

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

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

FINDING NUMBER 2009-003

Significant Deficiency

Insurance Reimbursements

Ohio Rev. Code Section 505.601 states in part that a township that does not procure health care benefits for its officers and employees is permitted to reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs, however, the following three conditions must be met:

1. The board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium,
2. The resolution provides for a uniform maximum monthly or yearly payment amount for each officer and employee,
3. The resolution states the specific benefits, pursuant to Ohio Rev. Code Section 505.60(A), that will be reimbursed.

During 2009 and 2008, Township officials and an employee were provided an insurance reimbursement from the Township. However, the amount of the reimbursement exceeded the amount for outside insurance. Furthermore, proper documentation was not provided as to the amount of the allowable reimbursement.

We recommend the Township pass a resolution establishing the maximum amount the Township will reimburse to each official, and the types of coverage eligible for reimbursement.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2009-004

Significant Deficiency/Noncompliance Citation

Circular E, Employer's Supplemental Tax Guide published by the Internal Revenue Service defines common-law employees as anyone who performs services for the Township if the Township can control the details of what will be done and how it will be done. The guide further defines independent contractors as anyone who follows an independent trade or profession in which they offer their services to the public but who the Township only has the right to control or direct the result of the work and not the means and methods of accomplishment.

**BENTON TOWNSHIP
HOCKING COUNTY**

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

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

FINDING NUMBER 2009-004 (Continued)

During 2009 and 2008, the Township classified Ernest Garret Jr. (Brother of Trustee Clyde Garrett) as an independent contractor and did not withhold federal, state, or local taxes and did not contribute to a qualifying retirement system. However, the Township directly controls the following details of work performed by the worker;

- When and where to do the work
- What tools or equipment to use
- What work must be performed

Consequently, the Township could be held liable for employment taxes of a potential employee improperly treated as an independent contractor without a reasonable basis for doing so. The Township should refer to Internal Revenue Service Code Section 3509 for additional guidance on an employer's liability for treating an employee as a nonemployee. Township Council should examine the relationship between the Township and all employees and independent contractors to ensure employees and nonemployees are properly reported.

Management's Response – We did not receive a response from officials to this finding.



Mary Taylor, CPA
Auditor of State

BENTON TOWNSHIP

HOCKING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2010**