



Dave Yost • Auditor of State

ISRAEL TOWNSHIP
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings	19

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Israel Township
Preble County
10893 State Route 177
College Corner, Ohio 45003

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Israel Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Israel Township, Preble County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 Israel Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 21, 2013

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$78,602	\$80,579			\$159,181
Licenses, Permits and Fees		2,950			2,950
Intergovernmental	12,474	101,247			113,721
Special Assessments			\$4,465		4,465
Earnings on Investments	174	3			177
Miscellaneous	1,693	900			2,593
<i>Total Cash Receipts</i>	<u>92,943</u>	<u>185,679</u>	<u>4,465</u>	<u>0</u>	<u>283,087</u>
Cash Disbursements					
Current:					
General Government	87,424				87,424
Public Safety	14,750				14,750
Public Works	4,548	116,479	37		121,064
Health	11,660	6,480			18,140
Conservation-Recreation		47,678			47,678
Capital Outlay	667	10,389			11,056
<i>Total Cash Disbursements</i>	<u>119,049</u>	<u>181,026</u>	<u>37</u>	<u>0</u>	<u>300,112</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,106)</u>	<u>4,653</u>	<u>4,428</u>	<u>0</u>	<u>(17,025)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(26,106)</u>	<u>4,653</u>	<u>4,428</u>	<u>0</u>	<u>(17,025)</u>
<i>Fund Cash Balances, January 1</i>	<u>151,910</u>	<u>179,123</u>	<u>10,835</u>	<u>1,193</u>	<u>343,061</u>
Fund Cash Balances, December 31					
Nonspendable	0	1,113	0	1,193	2,306
Restricted	0	176,419	15,263	0	191,682
Committed	0	6,244	0	0	6,244
Unassigned (Deficit)	125,804	0	0	0	125,804
<i>Fund Cash Balances, December 31</i>	<u>\$125,804</u>	<u>\$183,776</u>	<u>\$15,263</u>	<u>\$1,193</u>	<u>\$326,036</u>

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

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$77,469	\$22,686			\$100,155
Licenses, Permits and Fees		8,250			8,250
Intergovernmental	78,393	101,512			179,905
Special Assessments			\$5,256		5,256
Earnings on Investments	260	2		\$1	263
Miscellaneous	2,548	1,101			3,649
<i>Total Cash Receipts</i>	<u>158,670</u>	<u>133,551</u>	<u>5,256</u>	<u>1</u>	<u>297,478</u>
Cash Disbursements					
Current:					
General Government	99,649	264	67		99,980
Public Safety	14,750				14,750
Public Works	4,548	108,012			112,560
Health	8,762	5,500			14,262
Capital Outlay		6,157			6,157
<i>Total Cash Disbursements</i>	<u>127,709</u>	<u>119,933</u>	<u>67</u>	<u>0</u>	<u>247,709</u>
<i>Excess of Receipts Over Disbursements</i>	<u>30,961</u>	<u>13,618</u>	<u>5,189</u>	<u>1</u>	<u>49,769</u>
<i>Fund Cash Balances, January 1</i>	<u>120,949</u>	<u>165,505</u>	<u>5,646</u>	<u>1,192</u>	<u>293,292</u>
Fund Cash Balances, December 31					
Nonspendable	0	1,110	0	1,193	2,303
Restricted	0	178,013	10,835	0	188,848
Unassigned (Deficit)	151,910	0	0	0	151,910
<i>Fund Cash Balances, December 31</i>	<u>\$151,910</u>	<u>\$179,123</u>	<u>\$10,835</u>	<u>\$1,193</u>	<u>\$343,061</u>

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Israel Township, Preble County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with West College Corner Volunteer Fire Department to provide fire services to the west half of the Township and Camden-Somers Fire Rescue Protection District to provide fire services to the east half of the Township and ambulance services to the entire Township.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

OTARMA which is a public entity risk pool that provides property and casualty coverage for its members. OTARMA is a member of the American Public Excess Pool (APEEP).

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 values certificates of deposit at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at amounts reported by the State Treasurer.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

Permissive Sales Tax Fund - This fund receives money from lodging taxes and is used to promote tourism within the Township.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Funds:

Morning Sun Lighting Fund - This fund receives the special assessment taxes assessed on the benefiting property owners of Morning Sun.

Fairhaven Lighting Fund – This fund receives the special assessment taxes assessed on the benefiting property owners of Fairhaven.

Lakeland Terrace Lighting Fund – This fund receives the special assessment taxes assessed on the benefiting property owners of Fairhaven.

4. Permanent Fund

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Martin-Haworth-Palmer-Ewing Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 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.

3. Encumbrances

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 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits and Investments

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

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

2. Equity in Pooled Deposits and Investments (Continued)

	2012	2011
Demand deposits	\$307,284	\$324,312
Certificates of deposit	2,096	2,096
Total deposits	309,380	326,408
 STAR Ohio	 16,656	 16,653
Total deposits and investments	\$326,036	\$343,061

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

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

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,550	\$92,943	\$4,393
Special Revenue	195,900	185,679	(10,221)
Capital Projects	3,620	4,465	845
Permanent	500	0	(500)
Total	\$288,570	\$283,087	(\$5,483)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$237,200	\$119,049	\$118,151
Special Revenue	331,248	181,026	150,222
Capital Projects	6,700	37	6,663
Permanent	1,193	0	1,193
Total	\$576,341	\$300,112	\$276,229

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,500	\$158,670	\$83,170
Special Revenue	117,600	133,551	15,951
Capital Projects	4,916	5,256	340
Permanent	0	1	1
Total	\$198,016	\$297,478	\$99,462

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,189	\$127,709	\$75,480
Special Revenue	148,258	119,933	28,325
Capital Projects	10,600	67	10,533
Permanent	1,192	0	1,192
Total	\$363,239	\$247,709	\$115,530

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 other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

6. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

**ISRAEL TOWNSHIP
PREBLE COUNTY**

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

6. Risk Management (Continued)

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$5,159	\$4,498

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Dave Yost • Auditor of State

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

Israel Township
Preble County
10893 State Route 177
College Corner, Ohio 45003

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Israel Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 21, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-03 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-02.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 21, 2013

**ISRAEL TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township failed to accurately post receipts and disbursements during the audit period:

- In 2011 and 2012, the Fiscal Officer posted homestead/rollback receipts (\$3,754 in 2011; \$4,319 in 2012) to the General Fund rather than the Road and Bridge Fund.
- In 2011, the Fiscal Officer posted an estate tax net of County Auditor and Treasurer fees, instead of the gross amount (difference of \$1,267) in the General Fund.
- In 2011, the Fiscal Officer posted a real estate tax settlement net of County Auditor and Treasurer fees, instead of the gross amount (\$1,797 for the General fund and \$264 for the Road and Bridge Fund).
- The first half 2011 Special Assessment Lighting settlement was incorrectly posted at an amount net of fees to the General Fund (\$1,608) and Road and Bridge Fund (\$1,879). This settlement should have been posted at the gross amount to the Morning Sun Lighting Fund (\$1,439), the Fairhaven Lighting Fund (\$1,510), and the Lakeland Terrace Lighting Fund (\$604). Also, the Fiscal Officer should have recorded as a disbursement the County Auditor and Treasurer Fees (\$49 for the Morning Sun Lighting Fund; \$17 for the Fairhaven Lighting Fund; and \$1 for the Lakeland Terrace Fund).
- The 2012 Special Assessment Lighting settlements were posted at an amount net of fees, rather than the gross amount. The Fiscal Officer did not record County Auditor and Treasurer fees in the Morning Sun Lighting Fund (\$3), Fairhaven Lighting Fund (\$21), and Lakeland Terrace Fund (\$14).
- During 2011, the Fiscal Officer incorrectly charged street lighting services (\$2,274) to the Road and Bridge Fund. The Fiscal Officer should have posted these disbursements to the General Fund (The remaining street light service disbursements in 2011 were posted to the General Fund).
- During 2011 and 2012, other payments for street lighting services were posted correctly to the General Fund. However, they were posted to incorrect line items. During 2011, one payment for street lighting (\$2,274) was charged to Health instead of Public Works. During 2012, one payment for street lighting (\$2,274) was charged to General Government instead of Public Works.

**FINDING NUMBER 2012-01
 (Continued)**

Audit adjustments were needed to accurately classify the monies received. The net adjustments affected fund balances as follows:

Fund	2011	2012
General	(\$7,636)	(\$4,319)
Road and Bridge	4,150	4,319
Morning Sun Lighting	1,390	
Fairhaven Lighting	1,493	
Lakeland Terrace Lighting	603	

Audit adjustments have been posted to the Township's financial statements and accounting records. Failure to accurately post receipts and disbursements can result in inaccurate records and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner. We recommend that the Township accurately post all receipts and disbursements to the correct funds and line items. The Fiscal Officer should post all applicable receipts at the gross amount and record a disbursement for related fees. The Fiscal Officer should review receipts and disbursements posted to the ledgers for accuracy.

In addition, the Township should develop financial review policies/procedures over the recording of Township activity in the accounting records and posted to the financial statements.

FINDING NUMBER 2012-02

Noncompliance

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township did not accurately post supplemental appropriations in the Motor Vehicle License Tax Fund during 2011. On December 19, 2011, the Trustees approved reducing appropriations from \$40,500 to \$17,000. However, this appropriation amendment was not posted into the Township's accounting system.

Failure to accurately post appropriations may result in overspending and negative fund balances. We recommend the Township accurately post appropriations and monitor budgetary activity.

FINDING NUMBER 2012-03

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytic procedures to determine the reasonableness of financial data.

The Township did not accurately post estimated receipts to the accounting system as noted below:

Fund	Estimated Receipts per Final Amended Certificate	Estimated Receipts posted to the accounting system	Variance
General (2011)	\$75,500	\$92,750	\$17,250
Gasoline Tax (2011)	62,400	88,200	25,800
Road and Bridge (2011)	20,500	22,500	2,000
Cemetery (2011)	6,000	6,500	500
Morning Sun Lighting (2011)	1,468	500	(968)
Fairhaven Lighting (2011)	1,556	500	(1,056)
Lakeland Terrace Lighting (2011)	1,892	500	(1,392)
Martin-Haworth-Palmer-Ewing Cemetery Bequest (2011)	0	500	500
Motor Vehicle License Tax (2012)	28,700	200	(28,500)
Gasoline Tax (2012)	88,200	88,100	(100)
Road and Bridge (2012)	22,500	22,600	100
Morning Sun Lighting (2012)	1,120	0	(1,120)
Fairhaven Lighting (2012)	1,500	0	(1,500)
Lakeland Terrace Lighting (2012)	1,000	0	(1,000)
Martin-Haworth-Palmer-Ewing (2012)	500	0	(500)

Failure to accurately post estimated receipts can result in the inability to monitor unrealized budgetary receipts and could result in inaccurate financial statements. We recommend the Township accurately post estimated receipts to the financial accounting system.

Officials' Response:

Officials did not provide a response to the above findings.

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ISRAEL TOWNSHIP
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Failure to accurately post receipts and disbursements.	Not corrected.	Reissued as Finding 2012-01

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Dave Yost • Auditor of State

ISRAEL TOWNSHIP

PREBLE 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 20, 2013