



Dave Yost • Auditor of State

**RUSH TOWNSHIP
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Rush Township
Tuscarawas County
10306 Kennedy Hill Road SE
Uhrichsville, Oh 44683

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government'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 adverse 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.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During 2012 and 2011 the Township paid trustee wages from the Special Revenue Motor Vehicle License, Gasoline Tax, and Road and Bridge Funds. The wages were not supported by certifications of services performed from those funds as required by Ohio Revised Code Section 505.24(C) and Ohio Attorney General Opinion 2004-036. The Township declined to make the adjustments. Had the Township agreed to the adjustments the General Fund Balance would have been (\$42,385) and (\$39,680) at December 31, 2012 and 2011, respectively. The Special Revenue Fund Balance would have been \$90,360 and \$73,373 at December 31, 2012 and 2011, respectively.

During 2010 and 2009 the Township paid debt and liability premium payments from the Special Revenue Gasoline Tax Fund. The payments were not allowable per Ohio Constitution Article XII, Section 5a and Ohio Revised Code Section 5735.27(A)(5)(d). The Township declined to make the adjustments. Had the Township agreed to the adjustment the General Fund beginning fund balance would have been (\$14,981). The Special Revenue Fund beginning fund balance would have been \$52,187.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, based on the effects of the matters described in the *Basis for Adverse Opinion on Regulatory Basis* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Rush Township, Tuscarawas 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 19, 2013

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**RUSH TOWNSHIP
TUSCARAWAS 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	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$33,437	\$29,031		\$62,468
Intergovernmental	60,577	87,968		148,545
Earnings on Investments	28	5		33
Miscellaneous	28,800	1,031		29,831
<i>Total Cash Receipts</i>	<u>122,842</u>	<u>118,035</u>	<u>0</u>	<u>240,877</u>
Cash Disbursements				
Current:				
General Government	100,134	99		100,233
Public Safety	127	22,407		22,534
Public Works		84,651		84,651
Health		1,702		1,702
Debt Service:				
Principal Retirement	5,833	9,000		14,833
Interest and Fiscal Charges	1,963	679		2,642
<i>Total Cash Disbursements</i>	<u>108,057</u>	<u>118,538</u>	<u>0</u>	<u>226,595</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,785</u>	<u>(503)</u>	<u>0</u>	<u>14,282</u>
<i>Fund Cash Balances, January 1</i>	<u>5,261</u>	<u>28,432</u>	<u>59</u>	<u>33,752</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	27,929	59	27,988
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	20,046	0	0	20,046
<i>Fund Cash Balances, December 31</i>	<u>\$20,046</u>	<u>\$27,929</u>	<u>\$59</u>	<u>\$48,034</u>

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

**RUSH TOWNSHIP
TUSCARAWAS 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	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$34,209	\$30,184		\$64,393
Intergovernmental	78,615	102,052		180,667
Earnings on Investments	27	10		37
Miscellaneous	927	382		1,309
<i>Total Cash Receipts</i>	<u>113,778</u>	<u>132,628</u>	<u>0</u>	<u>246,406</u>
Cash Disbursements				
Current:				
General Government	112,234	46		112,280
Public Safety	600	7,473		8,073
Public Works		107,896		107,896
Debt Service:				
Principal Retirement	5,893	12,907		18,800
Interest and Fiscal Charges	1,735	1,135		2,870
<i>Total Cash Disbursements</i>	<u>120,462</u>	<u>129,457</u>	<u>0</u>	<u>249,919</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,684)</u>	<u>3,171</u>	<u>0</u>	<u>(3,513)</u>
<i>Fund Cash Balances, January 1</i>	<u>11,945</u>	<u>25,261</u>	<u>59</u>	<u>37,265</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	28,432	59	28,491
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	5,261	0	0	5,261
<i>Fund Cash Balances, December 31</i>	<u>\$5,261</u>	<u>\$28,432</u>	<u>\$59</u>	<u>\$33,752</u>

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

**RUSH TOWNSHIP
TUSCARAWAS 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 Rush Township, Tuscarawas County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government, road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Smith Ambulance Service, Inc. to provide ambulance services.

The Township participates in the Tuscarawas County Regional Planning Commission, a jointly governed organization, and the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities.

Jointly Governed Organizations:

Tuscarawas County Regional Planning Commission is a commission to make studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic and governmental characteristics, functions and services of the county.

Public Entity Risk Pool:

OTARMA is a risk-sharing pool available to Ohio townships to provide property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township has no investments.

D. Fund Accounting

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

**RUSH TOWNSHIP
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies – (Continued)

1. General Fund

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

2. Special Revenue Funds

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

Fire Levy Fund - This fund receives property tax money to pay for fire protection services.

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

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 no significant capital project funds.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

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.

**RUSH TOWNSHIP
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies – (Continued)

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.

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**RUSH TOWNSHIP
TUSCARAWAS COUNTY**

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

2. Equity in Pooled Deposits

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$48,034	\$33,752

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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	\$117,981	\$122,842	\$4,861
Special Revenue	125,699	118,035	(7,664)
Capital Projects	0	0	0
Total	\$243,680	\$240,877	(\$2,803)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,042	\$108,057	\$11,985
Special Revenue	154,131	118,538	35,593
Capital Projects	59	0	59
Total	\$274,232	\$226,595	\$47,637

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$108,972	\$113,778	\$4,806
Special Revenue	127,168	132,628	5,460
Capital Projects	0	0	0
Total	\$236,140	\$246,406	\$10,266

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,917	\$120,642	\$275
Special Revenue	162,949	129,457	33,492
Capital Projects	59	0	59
Total	\$283,925	\$250,099	\$33,826

Contrary to Ohio Rev. Code Section 5705.41(D), the Fiscal Officer did not properly certify the availability of funds prior to incurring obligation.

**RUSH TOWNSHIP
TUSCARAWAS COUNTY**

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

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

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Fire Tanker Loan	\$5,000	4.4%

The Township obtained the loan to finance the purchase of a new fire tanker to provide fire protection services. The loan is collateralized by the fire tanker.

Amortization of the above debt, including interest, is scheduled as follows:

	Fire Tanker
Year ending December 31:	Loan
2013	\$5,223

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. Except for the employees not properly enrolled, the Township has paid all contributions required through December 31, 2012.

**RUSH TOWNSHIP
TUSCARAWAS COUNTY**

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

7. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

**RUSH TOWNSHIP
TUSCARAWAS COUNTY**

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

7. Risk Management – (Continued)

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

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$12,015	\$11,941

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.

8. Jointly Governed Organizations

The Township is associated with the Tuscarawas County Regional Planning Commission, (the Commission), as a Jointly Governed Organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. The Township contributed \$141 and \$132 during 2012 and 2011, respectively, to the Commission.

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Dave Yost • Auditor of State

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

Rush Township
Tuscarawas County
10306 Kennedy Hill Road SE
Uhrichsville, Oh 44683

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 Rush Township, Tuscarawas County, (the Township) as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2013, which was adverse as the Township did not make prior and current audit adjustments. We also noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. 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 2012-001 and 2012-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

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

November 19, 2013

**RUSH TOWNSHIP
TUSCARAWAS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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<i>Finding Number</i>	2012-001
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MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS – TOWNSHIP TRUSTEES CERTIFICATION

Ohio Revised Code Section 505.24(C) and Ohio Attorney General Opinion 2004-036 provide in part, whenever members of a board of township trustees are compensated per diem and not by annual salary, the board shall establish, by resolution, a method by which each member of the board shall periodically notify the township fiscal officer of the number of days spent in the service of the township and the kinds of services rendered on those days. The per diem compensation shall be paid from the township general fund or from other township funds in such proportions as the kinds of services performed may require. The notice shall be filed with the township fiscal officer and preserved for inspection by any persons interested.

By unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. A board of township trustees that has adopted a salary method of compensation may return to a method of compensation on a per diem basis as specified in this division by a majority vote. Any change in the method of compensation shall be effective on the first day of January of the year following the year during which the board has voted to change the method of compensation.

During 2012 and 2011, two Township Trustees' salaries were paid from the Motor Vehicle License Fund, Gasoline Tax Fund and Road and Bridge Fund; however, the Township did not maintain supporting certifications to support the kinds of services performed. In accordance with the foregoing facts we hereby issue a finding for adjustment against the General Fund and in favor of the Special Revenue Motor Vehicle License Fund in the amounts of \$6,979 and \$8,104 for 2012 and 2011, respectively. In accordance with the foregoing facts we hereby issue a finding for adjustment against the General Fund and in favor of the Special Revenue Gasoline Tax Fund in the amounts of \$6,786 and \$8,104 for 2012 and 2011, respectively. In accordance with the foregoing facts we hereby issue a finding for adjustment against the General Fund and in favor of the Special Revenue Road and Bridge Fund in the amount of \$708 for 2012.

The Township should establish administrative procedures to document the amount chargeable to other Township funds based on the kinds of services performed.

<i>Finding Number</i>	2012-002
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MATERIAL NONCOMPLIANCE – PROPER CERTIFICATION OF FUNDS

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Purchase orders were prepared on the UAN system and signed by two of three trustees but were not always signed by the Fiscal Officer. Therefore, the Fiscal Officer did not properly certify the availability of funds prior to incurring an obligation. 12 out of 39 (or 31%) expenditures tested were not certified prior to incurring the obligation. It was also noted the Township set a blanket purchase order limit of \$5,000; however that limit was exceeded for 2 of 3 blanket purchase orders tested in 2011.

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

<i>Finding Number</i>	2012-002 (continued)
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Unless the exceptions noted as above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

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

<i>Finding Number</i>	2012-003
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MATERIAL NONCOMPLIANCE – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM ORC 145.03(A)

Ohio Public Employee Retirement System Ohio Rev. Code Section 145.03(A) provides in part, that membership in the Ohio Public Employee Retirement System (OPERS) is compulsory upon being employed and shall continue as long as public employment continues. A road department employee, two general laborers, and an administration employee did not enroll in or have OPERS withholdings deducted from their gross wages during the period January 1, 2011 through December 31, 2012. In aggregate the earnings for fiscal year 2011 and 2012, for the respective employees were \$9,861 and \$9,986, respectively.

The Township should notify OPERS of the failure to have withholdings deducted from the gross wages of the road department employee and general laborer. The Fiscal Officer should contact OPERS and arrange a settlement plan for the repayment of both the employee and employer portions of OPERS. The failure of the Township to properly withhold and remit retirement contributions to OPERS may subject the Township to penalties and charges. The Fiscal Officer should ensure all employees and elected officials enroll in OPERS. This matter will be referred to OPERS.

<i>Finding Number</i>	2012-004
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MATERIAL WEAKNESS

Prior Year Finding for Adjustment Not Made

During 2010 and 2009 the Township paid \$26,926 of debt payments and liability insurance from the Special Revenue Gasoline Tax Fund. The payments were not paid in accordance with the purpose of the Special Revenue Gasoline Tax Fund as required by Ohio Constitution Article XII, Section 5a and Ohio Revised Code Section 5735.27(A)(5)(d). The Township declined to make the adjustment.

The Township should make the prior adjustment to ensure accurate reporting and proper use of public funds.

Officials Response: The Township did not respond to the findings reported.

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**RUSH TOWNSHIP
TUSCARAWAS 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>
2010-01	Ohio Const. Art. XII, Section 5a and Ohio Rev. Code Section 5735.27(A)(5)(d) – restricts use of motor vehicle license tax monies.	No	See finding 2012-004
2010-02	Classification of Expenditures – principal and interest expenditures improperly classified as current expenditures.	No	See Finding 2012-001

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Dave Yost • Auditor of State

RUSH TOWNSHIP

TUSCARAWAS 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 24, 2013**