

Rush Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2013 and 2012



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# Dave Yost • Auditor of State

Board of Trustees  
Rush Township  
P. O. Box 252  
McDermott, Ohio 45652

We have reviewed the *Independent Auditor's Report* of Rush Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. 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

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. Rush Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 18, 2015

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**Rush Township**  
**Scioto County**  
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*For the Years Ended December 31, 2013 and 2012*

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**Independent Auditor's Report**

Board of Trustees  
Rush Township  
Scioto County  
P.O Box 252  
McDermott, Ohio 45652

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Rush Township, Scioto County, (the Township) as of and for the years ended December 31, 2013 and 2012.

***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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(D), 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.

Though the Township does not intend these statements to confirm to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2013 and 2012, 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 Rush Township, Scioto County, as of December 31, 2013 and 2012, 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(D) permit, described in Note 1.

***Emphasis of a Matter***

The accompanying financial statements have been prepared assuming that the Township will continue as a going concern. As described in Note 11 to the financial statements, the Township has been suffering declining general fund balances due to disbursements exceeding receipts, which raises substantial doubt about the Township's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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 February 13, 2015 on our consideration of the Township's internal control over financial reporting and on 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

February 13, 2015

**Rush Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2013*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$54,903	\$254,430	\$309,333
Licenses, Permits, and Fees	24,052	5,653	29,705
Intergovernmental	25,141	144,595	169,736
Earnings on Investments	0	4,456	4,456
Miscellaneous	1,754	3,998	5,752
<b>Total Cash Receipts</b>	<b>105,850</b>	<b>413,132</b>	<b>518,982</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	79,720	1,433	81,153
Public Safety	0	64,454	64,454
Public Works	0	209,217	209,217
Health	24,233	9,583	33,816
Capital Outlay	0	9,634	9,634
<b>Debt Service:</b>			
Redemption of Principal	0	66,012	66,012
Interest and Other Fiscal Charges	0	7,260	7,260
<b>Total Cash Disbursements</b>	<b>103,953</b>	<b>367,593</b>	<b>471,546</b>
<b>Total Cash Receipts Over Cash Disbursements</b>	<b>1,897</b>	<b>45,539</b>	<b>47,436</b>
<b>Other Financing Receipts:</b>			
Miscellaneous Receipts	12,539	0	12,539
<b>Total Other Financing Receipts</b>	<b>12,539</b>	<b>0</b>	<b>12,539</b>
<b>Net Change in Fund Cash Balances</b>	<b>14,436</b>	<b>45,539</b>	<b>59,975</b>
<b>Fund Cash Balances (Deficit), January 1</b>	<b>(73,903)</b>	<b>433,020</b>	<b>359,117</b>
<b>Fund Cash Balances (Deficit), December 31</b>			
<b>Nonspendable:</b>			
Unclaimed Monies	12,539	0	12,539
<b>Restricted for:</b>			
Road and Bridge Maintenance and Improvement	0	320,098	320,098
Cemetery	0	16,517	16,517
Fire Operations	0	133,917	133,917
Police Operations	0	8,027	8,027
<b>Unassigned (Deficit)</b>	<b>(72,006)</b>	<b>0</b>	<b>(72,006)</b>
<b>Fund Cash Balances (Deficit), December 31</b>	<b>(\$59,467)</b>	<b>\$478,559</b>	<b>\$419,092</b>

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

**Rush Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2012*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$53,325	\$309,270	\$362,595
Licenses, Permits, and Fees	24,054	8,194	32,248
Intergovernmental	24,731	245,874	270,605
Miscellaneous	4,655	5,200	9,855
<b>Total Cash Receipts</b>	<b>106,765</b>	<b>568,538</b>	<b>675,303</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	129,279	4,992	134,271
Public Safety	0	134,274	134,274
Public Works	0	248,072	248,072
Health	24,215	2,725	26,940
Capital Outlay	999	285,000	285,999
<b>Debt Service:</b>			
Redemption of Principal	0	54,238	54,238
Interest and Other Fiscal Charges	0	2,349	2,349
<b>Total Cash Disbursements</b>	<b>154,493</b>	<b>731,650</b>	<b>886,143</b>
<b>Total Cash Receipts Under Cash Disbursements</b>	<b>(47,728)</b>	<b>(163,112)</b>	<b>(210,840)</b>
<b>Other Financing Receipts:</b>			
Proceeds of Notes	0	270,000	270,000
<b>Total Other Financing Receipts</b>	<b>0</b>	<b>270,000</b>	<b>270,000</b>
<b>Net Change in Fund Cash Balances</b>	<b>(47,728)</b>	<b>106,888</b>	<b>59,160</b>
<b>Fund Cash Balances (Deficit), January 1</b>	<b>(26,175)</b>	<b>326,132</b>	<b>299,957</b>
<b>Fund Cash Balances (Deficit), December 31</b>			
<b>Restricted for:</b>			
Road and Bridge Maintenance and Improvement	0	173,932	173,932
Cemetery	0	20,397	20,397
Fire Operations	0	119,354	119,354
Police Operations	0	21,890	21,890
<b>Committed to:</b>			
Road and Bridge Maintenance and Improvement	0	97,447	97,447
Unassigned (Deficit)	(73,903)	0	(73,903)
<b>Fund Cash Balances (Deficit), December 31</b>	<b>(\$73,903)</b>	<b>\$433,020</b>	<b>\$359,117</b>

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

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 – Summary of Significant Accounting Policies**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Rush Township, Scioto County (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, and fire protection. The Township contracts with the Scioto Ambulance District for ambulance services.

The Township participates in a jointly governed organization. Note 9 to the financial statements provides additional information for this entity. This organization is the Scioto Ambulance District.

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

**Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State of Ohio 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.

**Cash**

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

**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:

*General Fund*

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

*Special Revenue Funds*

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

*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 monies and homestead and rollback monies for constructing, maintaining, and repairing Township roads.

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Fire Levy Fund* – This fund receives property tax monies and homestead and rollback monies for the purchase of fire equipment and to provide fire protection to residents of the Township.

**Budgetary Process**

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

*Appropriations*

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

*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.

*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 re-appropriated in the subsequent year.

A summary of the 2013 and 2012 budgetary activity appears in Note 3.

**Fund Balances**

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

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

*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.

*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.

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2013 and 2012

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*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 the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

*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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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.

**Note 2 – Equity in Pooled Cash**

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

	2013	2012
Demand Deposits	\$419,092	\$359,117

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2013 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,853	\$118,389	\$27,536
Special Revenue	431,435	413,132	(18,303)
Total	\$522,288	\$531,521	\$9,233

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$103,953	(\$103,953)
Special Revenue	0	367,593	(367,593)
Total	\$0	\$471,546	(\$471,546)

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 3 – Budgetary Activity (Continued)**

Budgetary activity for the year ending December 31, 2012 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,945	\$106,765	\$14,820
Special Revenue	846,397	838,538	(7,859)
Total	\$938,342	\$945,303	\$6,961

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$154,493	(\$154,493)
Special Revenue	0	731,650	(731,650)
Total	\$0	\$886,143	(\$886,143)

**Note 4 – Property Taxes**

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.

**Note 5 – Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
General Obligation Note – Fire Truck	\$225,383	2.50%

The Township issued a general obligation note in March of 2012 to finance the purchase of a new fire truck. The note is collateralized by the fire truck.

The Township issued a general obligation note on July 24, 2004 to finance the construction of a new fire station. The note is collateralized by the fire station. This note was fully repaid in 2013.

The Township issued a general obligation note on August 16, 2007 to finance the purchase of a new fire truck. The note is collateralized by the fire truck. This note was fully repaid in 2012.

The Township issued a general obligation note in December 2008 to finance the purchase of a new dump truck. The note is collateralized by the dump truck. This note was fully repaid in 2013.

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 5 – Debt (Continued)**

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

Year Ending December 31:	General Obligation Note – Fire Truck
2014	\$51,926
2015	51,367
2016	51,367
2017	51,367
2018	36,366
Totals	<u>\$242,393</u>

**Note 6 – Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2013.

**Note 7 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and to 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**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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.

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 6 – Risk Management (Continued)**

**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, 2013 and 2012:

	2013	2012
Assets	\$34,954,286	\$34,771,270
Liabilities	(8,486,363)	(9,355,082)
Net Assets	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township’s share of these unpaid claims collectible in future years is approximately \$9,000.

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.

Contributions to OTARMA		
2013	2012	2011
\$16,496	\$16,079	\$15,436

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.

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 9 – Jointly Governed Organization**

The Township is a member of the Scioto Ambulance District (the District). The District is directed by an appointed five-member Board. The District provides ambulatory services to the areas of Brush Creek Township, Rush Township, Union Township, Morgan Township and the Village of Otway. A representative from each Township or Village is appointed to the Scioto Ambulance District Board. The District is supported by taxes that are collected by the Scioto County Auditor from the property owners in Rush Township. These taxes are paid to the District by the County. The Township does not assist in funding the District.

**Rush Township  
Scioto County**

*Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012*

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**Note 10 – Compliance**

The Township did not pass its appropriation measures on or about the first of the year, which is contrary to Ohio Revised Code Section 5705.38(A). The Township did not file its appropriation measures with the County Auditor, which is contrary to Ohio Revised Code Section 5705.39. The Township incurred negative fund balances in its General Fund at December 31, 2013 and 2012, which is contrary to Ohio Revised Code Section 5705.10. The Township had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B). The Township did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D). The Township did not properly certify allocations of Trustees' salaries, contrary to Ohio Revised Code Section 505.24. The Township did not maintain proper supporting documentation for insurance reimbursements to officials, which is contrary to Ohio Revised Code Section 505.60. The Township did not timely pay debt payments, which is contrary to established debt agreements. The Township did not accurately or timely pay certain federal tax remittances, which is contrary to Internal Revenue Code Section 31.6302-1. The Township did not timely pay certain retirement remittances, which is contrary to Ohio Revised Code Section 145.47.

**Note 11 – Management's Plan**

At December 31, 2013 and 2012, the Township had negative fund cash balances in its general fund of \$59,467 and \$73,903, respectively.

The Township did not properly authorize the allocation of Trustees' salaries to other funds during the audit period and in prior audit periods. As a result, adjustments were made to record those salaries in the general fund. This was the primary reason for the negative fund cash balances in the general fund. The Township will implement procedures to ensure that disbursement allocations to funds other than the general fund will be properly authorized to eliminate audit adjustments that further reduce the general fund balance.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Rush Township  
Scioto County  
P.O Box 252  
McDermott, Ohio 45652

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Rush Township, Scioto County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2015, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted, as described in Note 11, the accompanying financial statements have been prepared assuming that the Township will continue as a going concern.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-001, 2013-002, 2013-008, and 2013-013 to be material weaknesses.

Rush Township  
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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A significant deficiency is a deficiency, or 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 the deficiency described in the accompanying schedule of findings and responses as item 2013-012 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-003 through 2013-007 and 2013-009 through 2013-012.

### **Township's Responses to Findings**

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

February 13, 2015

**Rush Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2013 and 2012*

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**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**FINDING NUMBER 2013-001**

**Material Weakness – Financial Reporting**

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. During 2013 and 2012, the Township erroneously posted various receipts and disbursements to the incorrect accounts and, in certain instances, funds. This required reclassifications and adjustments to properly present the activity of the Township for each year. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-002**

**Material Weakness – Budgetary Information within UAN**

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to appropriations are authorized by the governing board. During 2013 and 2012, we identified that amendments to estimated resources as filed with the County Auditor were not recorded properly within the accounting system. Also, during 2013 and 2012, we identified that appropriations amendments were entered into the accounting system without evidence that the amendments were approved by the Board or filed with the County. Failure to maintain accurate budgetary information within the accounting system subjects the Township to the risk that management is relying on misinformation for decision-making processes. We recommend that the Township implement the appropriate procedures to ensure that all authorized budgetary amendments are properly documented within the minute record to ensure that budgetary information disclosed in the financial records is adequately supported.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-003**

**Noncompliance Citation - Annual Appropriation Measures**

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. Ohio Revised Code Section 5705.39 states that no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Adoption of appropriations was not noted in the minutes were annual appropriation measures for 2012 and 2013 were not filed with the County Auditor for either year. The Township should implement the appropriate procedures to ensure that annual appropriation measures are filed with the county in a timely fashion.

**Client Response:**

The client chose not to respond.

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**FINDING NUMBER 2013-004**

**Noncompliance Citation – Negative Fund Balances**

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. The Township’s general fund had negative fund balance at December 31, 2013 and 2012 which was primarily a result of audit adjustments for items posted to incorrect funds. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Township should implement the appropriate procedures to ensure that money paid into a fund is used only for the purposes for which the fund has been established.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-005**

**Noncompliance Citation - Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it is appropriated. The Township had expenditures in excess of appropriations in 2012 and 2013, primarily due to failure to adopt and file appropriations measures. Failure to properly monitor budgetary information, adopt measures, and file measures with the County Auditor subjects the Township to the risk of spending in excess of authorized limits. The Township should implement additional monitoring procedures to ensure that appropriations are properly adopted and filed and that disbursements are within authorized appropriations.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-006**

**Noncompliance Citation - Prior Encumbrance of Funds**

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing unit from making any contract or order for any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

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**FINDING NUMBER 2013-006 (Continued)**

**Noncompliance Citation - Prior Encumbrance of Funds (Continued)**

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.

There were several instances identified in 2013 and 2012 for which funds were not properly certified prior to commitment or expenditure of funds. In addition, several payments were made on blanket certificates that had previously expired. Failure to certify properly the availability of funds can result in overspending funds or unauthorized spending and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also 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, the Fiscal Officer should certify that 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.

**Client Response:**

The client chose not to respond.

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**FINDING NUMBER 2013-007**

**Noncompliance Citation – Trustees’ Salary Allocations**

Ohio Revised Code Section 505.24(C) states for Trustees receiving compensation by annual salary that to be paid on a salary basis in equal monthly installments, the board of trustees must *unanimously* pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund (ORC 505.24(C)). If Trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Trustees must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. A sample certification is attached to AOS bulletin 2011-07. If 100% of the compensation of the Township Trustee is to be paid from the general fund, no certification is required.

The Township paid the Trustees’ salaries from the funds other than General Fund without the proper certifications. As such, expenses were adjusted into the General Fund, which significantly contributed to the negative fund cash balances presented for each year. Failure to authorize the proper certificates results in unsubstantiated expense allocations and potential misstatements in the financial statements. The Township should implement the appropriate procedures to ensure that the proper certifications are prepared and maintained.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-008**

**Material Weakness – Maintaining Proper Supporting Documentation**

Maintenance of adequate supporting documentation is pertinent for a sound internal control environment and sufficient audit trail. The Township incurred instances where original supporting documentation for purchases of goods and services and for payroll items was not maintained. Further, the Township did not maintain copies of certain tax returns to substantiate filings. Failure to maintain original supporting documentation results in an inadequate audit trail for supporting allowable and authorized disbursements and compliance with applicable laws and regulations. The Township should implement the appropriate procedures to ensure that original supporting documentation is properly maintained.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-009**

**Noncompliance – Insurance Reimbursement to Officials**

Ohio Revised Code Section 505.60 allows townships to reimburse a township officer or employee for out-of-pocket premiums for insurance policies, including long-term care insurance. The reimbursement is permitted for a township officer or employee who is denied coverage under a township health care plan established pursuant to Ohio Revised Code Section 505.60, or who elects not to participate in the township’s plan. House Bill 458 clarifies that the township may reimburse for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits that the board could have provided under Ohio Revised Code Section 505.60(A). Ohio Revised Code Section 505.60(D) states the reimbursement cannot exceed an amount equal to the average premium paid by the township under any health care plan it procures.

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**FINDING NUMBER 2013-009**

**Noncompliance – Insurance Reimbursement to Officials (Continued)**

Attorney General Opinion No. 2005-038 concluded that, pursuant to Ohio Revised Code Section 505.60(C), a board of trustees may reimburse a township officer or employee for the out-of-pocket premiums attributable to that officer or employee for health care coverage under insurance policies described in Ohio Revised Code Section 505.60(A) if the officer or employee is denied health care or if the officer or employee elects not to participate in the township's health care plan. The policies described in Section 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents of an officer or employee.

Attorney General Opinion No. 2005-038 also determined that pursuant to Section 505.60(C), a township can pay for health care coverage provided for a township officer or employee after the cost of coverage attributable to the officer or employee has been paid. Accordingly, neither Section 505.60(C) nor Section 505.601 authorizes a township to pay directly to the employer of the township officer or employee the cost of health care coverage attributable to the officer or employee under a health care plan.

The Township reimbursed each of its three Trustees for health-care insurance premiums in 2013 and 2012. However, adequate supporting documentation was not maintained for most of the reimbursements. Without adequate supporting documentation, we were unable to determine the out-of-pocket premium attributable to the Township Trustees. The Township was subject to the risk of reimbursing officials for invalid or inappropriate expenses. The Township should adopt a policy requiring proper documentation demonstrating the amount that the official or employee paid for out-of-pocket premiums prior to any reimbursement. Proper documentation may include pay stubs, letters from employers or insurance companies, which outline the premium paid, the type of insurance, and the type of coverage. The policy should also state that reimbursements will only be issued directly to officers and employees and not their employers as required in Section 505.60(C) and Attorney General Opinion No. 2005-038.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-010**

**Noncompliance – Timely Debt Payments**

In order to comply with debt covenants, all debt payments must be paid in a timely manner and in accordance with their debt agreements. Payments were not always made timely during the audit period. The Township should implement procedures to ensure that all debt payments are made timely and in accordance with their debt agreements.

**Client Response:**

The client chose not to respond.

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**FINDING NUMBER 2013-011**

**Noncompliance – Timely and Accurate Payments of Federal Employment Tax**

Internal Revenue Code Section 31.6302-1 of the Employment Tax Regulations provides a rule for employers to make deposits of employment taxes. Under these rules, deposits of employment taxes reported on Form 941 are required to be either monthly or semi-weekly based on employer status. Per review of the Forms 941 and payroll reports, we noted that federal taxes were not always paid timely or accurately and in some instances were not paid at all. The Township should implement proper monitoring and review procedures to ensure that all payroll taxes are paid correctly and timely.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-012**

**Noncompliance/Significant Deficiency – Timely Retirement Contributions**

Ohio Revised Code Section 145.47 states, in part, that the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. During testing, we noted several retirement remittances were paid after the required due dates. The Township should implement procedures to ensure that retirement payments are made timely.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2013-013**

**Material Weakness – Bank Reconciliations**

When designing the Township's internal control environment and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records. During 2012 and 2013, the Fiscal Officer reconciled the book balance to the bank balance each month; however, there were unreconciled differences and there was no evidence that the reconciliations were reviewed for accuracy or monitored by the Board after February 2012. The Fiscal Officer should timely investigate and resolve any unreconciled differences. Furthermore, the Township should present bank reconciliations to the Township Trustees for review. The Trustees should sign and/or initial the bank reconciliation to document that the bank reconciliations were reviewed. In addition, the review should be recorded in the minute record to further document the effectiveness of the monitoring process.

**Client Response:**

The client chose not to respond.

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding 2011-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2013-001
Finding 2011-2	Material Weakness – Budgetary Information within UAN	No	Reissued as Finding 2013-002
Finding 2011-3	Noncompliance with ORC Section 5705.38(A) – Annual Appropriation Measures	No	Reissued as Finding 2013-003
Finding 2011-4	Noncompliance with ORC Section 5705.10 – Negative Fund Balance	No	Reissued as Finding 2013-004
Finding 2011-5	Noncompliance with ORC Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2013-005
Finding 2011-6	Noncompliance with ORC Section 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as Finding 2013-006
Finding 2011-7	Noncompliance with ORC Section 505.24(C) – Trustees’ Salary Allocations	No	Reissued as Finding 2013-007

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# Dave Yost • Auditor of State

**RUSH TOWNSHIP**

**SCIOTO 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  
MAY 28, 2015**