

Rush Township
Scioto County

Regular Audit
For the Year Ended December 31, 2014

Single Audit
For the Year Ended December 31, 2015



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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* of the Rush Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2014 through December 31, 2015. 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. The 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

October 12, 2016

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Rush Township
Scioto County
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For the Years Ended December 31, 2015 and 2014

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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 of the cash balances, receipts and disbursements by fund type, and related notes of Rush Township, Scioto County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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

As described in Note 1 of the financial statements, the Township has 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform 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 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, 2015 and 2014, 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, 2015 and 2014, 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, and on July 22, 2014, the Auditor of State declared the Township in fiscal caution. 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 Matters

Other Information

Our audit was conducted to opine on the financial statements taken as a whole

The Schedule of Expenditures of Federal Award presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this Schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2016 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.
Portsmouth, Ohio

July 22, 2016

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, 2015

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$55,109	\$248,436	\$303,545
Licenses, Permits, and Fees	23,018	4,568	27,586
Intergovernmental	22,751	1,041,049	1,063,800
Miscellaneous	4,910	2,161	7,071
Total Cash Receipts	105,788	1,296,214	1,402,002
Cash Disbursements:			
Current:			
General Government	49,137	1,007	50,144
Public Safety	0	61,597	61,597
Public Works	0	281,883	281,883
Health	22,886	7,817	30,703
Capital Outlay	0	938,005	938,005
Debt Service:			
Redemption of Principal	0	79,715	79,715
Interest and Other Fiscal Charges	0	7,306	7,306
Total Cash Disbursements	72,023	1,377,330	1,449,353
Total Cash Receipts Over/(Under) Cash Disbursements	33,765	(81,116)	(47,351)
Other Financing Receipts/(Disbursements):			
Transfers In	7,624	0	7,624
Transfers Out	0	(7,624)	(7,624)
Total Other Financing Receipts/(Disbursements)	7,624	(7,624)	0
Net Change in Fund Cash Balances	41,389	(88,740)	(47,351)
Fund Cash Balances (Deficit), January 1	(65,753)	468,730	402,977
Fund Cash Balances (Deficit), December 31			
Nonspendable:			
Unclaimed Monies	12,924	0	12,924
Restricted for:			
Road and Bridge Maintenance and Improvement	0	130,408	130,408
Cemetery	0	10,735	10,735
Fire Operations	0	145,536	145,536
Committed to:			
Road and Bridge Maintenance and Improvement	0	93,311	93,311
Unassigned (Deficit)	(38,770)	0	(38,770)
Assigned for:			
Future Obligations	1,482	0	1,482
Fund Cash Balances (Deficit), December 31	(\$24,364)	\$379,990	\$355,626

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, 2014

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$56,681	\$256,562	\$313,243
Licenses, Permits, and Fees	23,074	5,621	28,695
Intergovernmental	23,649	247,414	271,063
Miscellaneous	4,114	7,855	11,969
Total Cash Receipts	107,518	517,452	624,970
Cash Disbursements:			
Current:			
General Government	83,486	3,063	86,549
Public Safety	0	76,963	76,963
Public Works	7,392	263,736	271,128
Health	23,311	8,946	32,257
Human Services	0	1,449	1,449
Capital Outlay	0	245,472	245,472
Debt Service:			
Redemption of Principal	0	46,977	46,977
Interest and Other Fiscal Charges	0	5,675	5,675
Total Cash Disbursements	114,189	652,281	766,470
Total Cash Receipts Under Cash Disbursements	(6,671)	(134,829)	(141,500)
Other Financing Receipts:			
Miscellaneous Receipts	385	0	385
Proceeds of Notes	0	125,000	125,000
Total Other Financing Receipts	385	125,000	125,385
Net Change in Fund Cash Balances	(6,286)	(9,829)	(16,115)
Fund Cash Balances (Deficit), January 1	(59,467)	478,559	419,092
Fund Cash Balances (Deficit), December 31			
Nonspendable:			
Unclaimed Monies	12,924	0	12,924
Restricted for:			
Road and Bridge Maintenance and Improvement	0	156,009	156,009
Cemetery	0	13,984	13,984
Fire Operations	0	145,158	145,158
Police Operations	0	7,624	7,624
Committed to:			
Road and Bridge Maintenance and Improvement	0	145,955	145,955
Unassigned (Deficit)	(80,762)	0	(80,762)
Assigned for:			
Future Obligations	2,085	0	2,085
Fund Cash Balances (Deficit), December 31	(\$65,753)	\$468,730	\$402,977

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, 2015 and 2014

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, 2015 and 2014

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.

FEMA Fund – This fund receives money from the Federal Emergency Management Agency for disaster assistance and recovery.

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 2015 and 2014 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, 2015 and 2014

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:

	2015	2014
Demand Deposits	\$355,626	\$402,977

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, 2015 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,987	\$113,412	\$14,425
Special Revenue	393,500	1,296,214	902,714
Total	\$492,487	\$1,409,626	\$917,139

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,987	\$73,505	\$25,482
Special Revenue	1,286,745	1,391,179	(104,434)
Total	\$1,385,732	\$1,464,684	(\$78,952)

Rush Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 3 – Budgetary Activity (Continued)

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$97,362	\$107,903	\$10,541
Special Revenue	474,800	642,452	167,652
Total	\$572,162	\$750,355	\$178,193

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$116,274	(\$116,274)
Special Revenue	0	659,628	(659,628)
Total	\$0	\$775,902	(\$775,902)

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, 2015 was as follows:

	Principal	Interest Rate
General Obligation Note – Fire Truck	\$128,894	2.50%
General Obligation Note – Backhoe/Tractor	94,798	2.25%

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 in April of 2014 to finance the purchase of a new backhoe and tractor. The note is collateralized by the backhoe and tractor.

Rush Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5 – Debt (Continued)

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

Year Ending December 31:	General Obligation Note – Fire Truck	General Obligation Note – Backhoe/ Tractor
2016	\$51,367	\$33,054
2017	51,367	33,054
2018	36,367	33,054
Totals	<u>\$139,101</u>	<u>\$99,162</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 2015 and 2014, 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, 2015.

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, 2015, 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, 2015 and 2014

Note 7 – 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, 2015 and 2014:

	2015	2014
Assets	\$37,313,311	\$35,970,263
Liabilities	(8,418,518)	(8,912,432)
Net Assets	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 million and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township’s share of these unpaid claims collectable in future years is approximately \$10,000.

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	
2015	2014
\$18,660	\$18,009

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, 2015 and 2014

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, 2015 and 2014, 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).

Note 11 – Management’s Plan

At December 31, 2015 and 2014, the Township had negative fund cash balances in its general fund of \$24,364 and \$65,753, respectively. The Auditor of State declared the Township to be in Fiscal Caution on July 22, 2014.

The Township did not properly authorize the allocation of Trustees’ salaries to other funds in prior audit periods. Also, during the current audit period the Township authorized the allocation of the Trustees’ salaries but did not pay in accordance with the authorized allocations. As a result, adjustments were made to properly record those salaries. It was also noted in 2015 that the Township did not receive homestead and rollback. These were the primary reasons 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 and paid according to those authorizations to eliminate audit adjustments that further reduce the general fund balance. Also, the Township is working with the State to ensure all homestead and rollback monies owed to the Township are received.

Rush Township
Scioto County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
United States Department of Homeland Security			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	N/A	97.036	<u>\$805,720</u>
Total United States Department of Homeland Security			<u>805,720</u>
Total Federal Awards Expenditures			<u>\$805,720</u>

N/A - pass-through entity number not available.

See the accompanying notes to the schedule of expenditures of federal awards.

Rush Township
Scioto County

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Rush Township (the Township) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Township, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Township.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Township has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Matching Requirements

Certain Federal programs require that the Township contribute non-federal funds (matching funds) to support the Federally-funded programs. The Township did not comply with applicable matching requirements. The expenditure of non-federal matching funds is not included in the schedule.

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, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider 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*

Page 2

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 questioned costs as items 2015-003 through 2015-006.

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.
Portsmouth, Ohio

July 22, 2016

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Rush Township's, Scioto County (the Township) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Township's major federal programs for the year ended December 31, 2015. The Township's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Township's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Township's compliance.

Opinion on the Major Federal Program

In our opinion, the Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2015-007. Our opinion on the major federal program is not modified with respect to this matter.

The Township's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Township's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questions costs as item 2015-007, that we consider to be a significant deficiency.

The Township's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Township's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

July 22, 2016

Rush Township
Scioto County
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2015 and 2014

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Dual (Adverse (GAAP basis)/ Unmodified (Regulatory Basis)
Internal control over financial reporting:		
	Material weakness(es) identified?	Yes
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
	Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:		Unqualified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes
Identification of major program(s):		Disaster Grants-Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$750,000 Type B: all others
Auditee qualified as low-risk auditee?		No

Section II – Financial Statement Findings

FINDING NUMBER 2015-001

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 2015 and 2014, 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.

Rush Township
Scioto County
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2015 and 2014

FINDING NUMBER 2015-002

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 2015 and 2014, we identified that amendments to estimated resources as filed with the County Auditor were not recorded properly within the accounting system. Also, during 2014, 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 2015-003

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. The annual appropriation measure for 2014 was not filed with the County Auditor or recorded in the minutes as being passed by the board. The annual appropriation measure for 2015 was not approved in the minutes and not filed with the County Auditor until October 2015. 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.

FINDING NUMBER 2015-004

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 a negative fund balance at December 31, 2015 and 2014 which was primarily a result of previous years’ and current years’ 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.

Rush Township
Scioto County
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2015 and 2014

FINDING NUMBER 2015-005

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 all of 2014 and most of 2015, primarily due to failure to adopt and file an appropriations measure in 2014 and timing of filing in 2015. 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 2015-006

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.

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.

Rush Township
Scioto County
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2015 and 2014

FINDING NUMBER 2015-006 (Continued)

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 2015 and 2014 for which funds were not properly certified prior to commitment or expenditure of funds. 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.

Section III – Federal Award Findings and Questioned Costs
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CFDA Title and Number	Disaster Grants-Public Assistance (Presidentially Declared Disasters) CFDA #97.036
Federal Award Number and Year	2015
Federal Agency	United States Department of Homeland Security
Pass-Through Entity	Ohio Emergency Management Agency

Finding 2015-007

Noncompliance/Significant Deficiency– Matching

Matching is required per OMB Circular A-110 (2 CFR section 215.23). Per the grant agreement, the non-federal share is 12.5%. Instances were noted where the Township did not pay expenditures in accordance with the matching requirement. The Township should implement additional procedures to ensure that all federal expenditures are paid in accordance with the matching requirements.

Responsible Official’s Response and Corrective Action Planned:

The Fiscal Officer is aware of the requirement and will implement additional procedures to ensure matching requirements are paid appropriately.

Planned Implementation Date of Corrective Action:

July 22, 2016.

Person Responsible for Corrective Action:

Jill Springs, Fiscal Officer

Rush Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2015 and 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2013-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2015-001
Finding 2013-002	Material Weakness – Budgetary Information within UAN	No	Reissued as Finding 2015-002
Finding 2013-003	Noncompliance with ORC Section 5705.38(A) – Annual Appropriation Measures	No	Reissued as Finding 2015-003
Finding 2013-004	Noncompliance with ORC Section 5705.10 – Negative Fund Balance	No	Reissued as Finding 2015-004
Finding 2013-005	Noncompliance with ORC Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2015-005
Finding 2013-006	Noncompliance with ORC Section 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as Finding 2015-006
Finding 2013-007	Noncompliance with ORC Section 505.24(C) – Trustees’ Salary Allocations	No	Reissued in the Management Letter
Finding 2013-008	Material Weakness – Maintaining Proper Supporting Documentation	No	Reissued in the Management Letter
Finding 2013-009	Noncompliance with ORC Section 505.60 – Insurance Reimbursement to Officials	Yes	
Finding 2013-010	Noncompliance with debt covenants– Timely Debt Payments	Yes	
Finding 2013-011	Noncompliance Internal Revenue Code Section 31.6302-1– Timely and Accurate Payments of Federal Employment Tax	Yes	
Finding 2013-012	Noncompliance with ORC Section 145.47/Significant Deficiency – Timely Retirement Contributions	Yes	
Finding 2013-013	Material Weakness – Bank Reconciliations	Yes	



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
OCTOBER 25, 2016