



Dave Yost • Auditor of State

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Auglaize Township
Allen County
7726 Bellefontaine Road
Harrod, Ohio 45850

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Auglaize Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2013

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$21,641	\$190,069		\$211,710
Licenses, Permits and Fees	3,756	16,546		20,302
Intergovernmental	121,766	162,302		284,068
Earnings on Investments	255	215		470
Rent	85			85
Miscellaneous	276	6,914		7,190
Total Cash Receipts	<u>147,779</u>	<u>376,046</u>		<u>523,825</u>
Cash Disbursements:				
Current:				
General Government	94,178	4,007		98,185
Public Safety		149,743		149,743
Public Works		163,068		163,068
Health	10,081	11,841		21,922
Capital Outlay		1,596		1,596
Total Cash Disbursements	<u>104,259</u>	<u>330,255</u>		<u>434,514</u>
Excess of Receipts Over Disbursements	<u>43,520</u>	<u>45,791</u>		<u>89,311</u>
Other Financing Receipts:				
Other Financing Sources	941			941
Net Change in Fund Cash Balances	<u>44,461</u>	<u>45,791</u>		<u>90,252</u>
Fund Cash Balances, January 1	<u>325,559</u>	<u>419,027</u>	<u>\$3,516</u>	<u>748,102</u>
Fund Cash Balances, December 31:				
Restricted		464,818	3,516	468,334
Assigned				
Unassigned (Deficit)	370,020			370,020
Fund Cash Balances, December 31	<u>\$370,020</u>	<u>\$464,818</u>	<u>\$3,516</u>	<u>\$838,354</u>

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

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$21,815	\$193,174		\$214,989
Licenses, Permits and Fees	2,709	14,659		17,368
Intergovernmental	79,021	155,499		234,520
Earnings on Investments	230	127		357
Miscellaneous		7,438		7,438
Total Cash Receipts	<u>103,775</u>	<u>370,897</u>		<u>474,672</u>
Cash Disbursements:				
Current:				
General Government	97,520	4,211		101,731
Public Safety		147,865		147,865
Public Works	250	152,629		152,879
Health	10,874	19,173		30,047
Capital Outlay		56,250		56,250
Total Cash Disbursements	<u>108,644</u>	<u>380,128</u>		<u>488,772</u>
Excess of Receipts Over (Under) Disbursements	<u>(4,869)</u>	<u>(9,231)</u>		<u>(14,100)</u>
Other Financing Receipts:				
Sale of Capital Assets	6,200			6,200
Other Financing Sources	282			282
Total Other Financing Receipts	<u>6,482</u>			<u>6,482</u>
Net Change in Fund Cash Balances	1,613	(9,231)		(7,618)
Fund Cash Balances, January 1	<u>323,946</u>	<u>428,258</u>	<u>\$3,516</u>	<u>755,720</u>
Fund Cash Balances, December 31:				
Restricted		419,027	3,516	422,543
Unassigned (Deficit)	325,559			325,559
<i>Fund Cash Balances, December 31</i>	<u><u>\$325,559</u></u>	<u><u>\$419,027</u></u>	<u><u>\$3,516</u></u>	<u><u>\$748,102</u></u>

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

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Auglaize Township, Allen 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 and cemetery maintenance. The Township contracts with the Westminster Fire Department and the Harrod Fire Department to provide fire services and the Harrod Rescue Squad to provide ambulance services.

The Township participates in one jointly governed organization and the Ohio Township Risk Management Authority (OTARMA) public entity risk pool. Notes 6 and 7 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Lima Allen County Regional Planning Commission – *provides information relating to the physical, environmental, social-economic and governmental characteristics, functions and services of the County*

Public Entity Risk Pool:

Ohio Township Risk Management Authority (OTARMA) – *provides property and casualty coverage to its members.*

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

STAR Ohio is recorded at the share value the mutual funds report.

D. Fund Accounting

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

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

Fire and EMS Fund – This fund receives property tax money to pay for fire and emergency medical services

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

Issue II Fund – This fund account for the unspent balance of a grant received in prior years.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law which violated Ohio Rev. Code Section 5705.41(D).

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. Non spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2012	2011
Demand deposits	\$225,377	\$135,592
STAR Ohio	612,977	612,510
Total deposits and investments	\$838,354	\$748,102

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

Investments: Investments in STAR Ohio are evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 74,073	\$148,720	\$74,647
Special Revenue	364,288	376,046	11,758
Capital Projects			
Total	\$438,361	\$524,766	\$86,405

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 400,082	\$104,259	\$295,823
Special Revenue	782,865	330,255	452,610
Capital Projects	3,516		3,516
Total	\$1,186,463	\$434,514	\$751,949

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 61,628	\$110,257	\$48,629
Special Revenue	378,122	370,897	(7,225)
Capital Projects			
Total	\$439,750	\$481,154	\$41,404

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 375,574	\$108,644	\$266,930
Special Revenue	732,926	380,128	352,798
Capital Projects	3,516		3,516
Total	\$1,112,016	\$488,772	\$623,244

Some receipts belonging to the Special Revenue Motor Vehicle License Tax, Road and Bridge, Fire, and Fire and EMS funds, were recorded in the wrong fund which violated Ohio Rev. Code Section 5705.10(D).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10 percent of their gross salaries. The Township contributed an amount equaling 14 percent for 2012 and 2011, respectively. The Township had unremitted contributions of \$4,015 at December 31, 2012 which violated Ohio Rev. Code Section 145.47(B).

In addition to OPERS, some Federal income tax and Medicare withholdings were not remitted which violated 26 CFR 3403-1, 26 CFR 31.3102-2, and 26 CFR CFR 31.3111-5. Not all State of Ohio withholdings were remitted which violated Ohio Rev. Code Section 5747.07(B)(3).

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

6. JOINTLY GOVERNED ORGANIZATION

The-Lima Allen County Regional Planning Commission, Allen County, (the "Commission") was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, 130 W. North Street, Lima, Ohio 45801.

7. RISK MANAGEMENT

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

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

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

A. Casualty and Property Coverage

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

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

B. Financial Position

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

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

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

7. RISK MANAGEMENT (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

Contributions to OTARMA	
2012	2011
<u>\$6,659</u>	<u>\$5,940</u>

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.

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Dave Yost • Auditor of State

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

Auglaize Township
Allen County
7726 Bellefontaine Road
Harrod, Ohio 45850

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Auglaize Township, Allen County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-002 through 2012-006.

Entity's Response to Findings

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2013

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

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

FINDING NUMBER 2012-001

Material Weakness – Financial Reporting Errors

The Township should have procedures and controls in place to help assure the accuracy and completeness of financial reporting. Such procedures and controls include the Fiscal Officer's timely completion of bank to book reconciliations which are then presented, along with system generated financial reports such as budget versus actual receipts and disbursements, and fund balances, to the Trustees for review and approval. During the period of April 2012 through December 2012 there was no evidence that monthly bank to book reconciliations or system generated financial reports were made available to the trustees.

The Township's December 31, 2012 bank-to-book reconciliation included an \$86,898 positive Other Adjusting Factor which was recorded by the Fiscal Officer to increase the book balance so that it would agree to the bank balance. In addition, the outstanding check list included three checks totaling \$2,641 that had cleared the bank during 2012. The outstanding check listing also excluded two checks totaling \$1,721 that were issued in 2012 but did not clear the bank until January 2013.

The following classification error was identified in the 2012 financial statements:

<u>Fund Type</u>	<u>Year</u>	<u>Amount</u>	<u>Township Classification</u>	<u>Ohio Township Officer's Handbook</u>
General Fund	2012	\$370,020	Assigned Fund Balance	Unassigned Fund Balance

During the period of April 2012 through December 2012 the following activity was not recorded in the accounting records and financial statements:

<u>Fund Type / Fund</u>	<u>Amount</u>	<u>Proper Classification</u>
General Fund	\$9,421	Property and Other Local Taxes
General Fund	103,829	Intergovernmental Revenue
General Fund	1,738	Licenses, Permits, and Fees
General Fund	85	Rent Revenue
General Fund	2,216	General Government Expenditures
General Fund	276	Miscellaneous Revenue
General Fund	205	Interest
General Fund	5,040	Health Expenditures
Special Revenue / Road & Bridge	33,971	Property and Other Local Taxes
Special Revenue / Road & Bridge	11,692	Intergovernmental Revenue
Special Revenue / Fire Fund	11,271	Property & Other Local Taxes
Special Revenue / Fire Fund	6,826	Intergovernmental Revenue
Special Revenue / Fire Fund	1,456	Public Safety Expenditures
Special Revenue / Fire and EMS	36,974	Property and Other Local
Special Revenue / Fire and EMS	1,756	Public Safety Expenditures
Special Revenue / Fire and EMS	17,933	Intergovernmental Revenue
Special Revenue / Cemetery	10,446	Licenses, Permits, and Fees
Special Revenue / Gasoline Tax Fund	55,280	Intergovernmental Revenue
Special Revenue / Gasoline Tax Fund	131	Interest
Special Revenue / Motor Vehicle License Fund	8,567	Intergovernmental Revenue
Special Revenue / Motor Vehicle License Fund	54	Interest

FINDING NUMBER 2012-001

In addition, there were fourteen receipts recorded in the 2012 Financial Statements that did not represent actual receipts. As a result the following receipts were removed from the financial statements: \$151,000 from the General Fund, \$40,000 from Special Revenue Motor Vehicle License Fund, \$70,000 from the Special Revenue Gasoline Tax Fund, \$72,000 from the Special Revenue Road and Bridge Fund, \$15,636 from the Special Revenue Fire Fund, \$46,904 from the Special Revenue Fire and EMS fund, and \$3,000 from the Special Revenue Cemetery Fund.

On December 31, 2012 the Fiscal Officer deposited 16 checks received by the Township from September 19, 2012 through December 19, 2012 totaling \$21,889.

The following classification errors were identified in the accounting records and financial statements during the period of January 1, 2011 thru December 31, 2012:

Fund Type/Fund	Year	Amount	Township Classification	Ohio Township Officer's Handbook
General Fund	2011	\$1,649	Property and Other Local Taxes	Intergovernmental Revenue
Special Revenue/Road & Bridge	2011	5,981	Property and Other Local Taxes	Intergovernmental Revenue
Special Revenue/Fire Fund	2011	7,891	Property and Other Local Taxes	Intergovernmental Revenue
General Fund	2012	12,220	Intergovernmental Revenue	Property and Other Local Taxes
Special Revenue/Road & Bridge	2012	45,083	Intergovernmental Revenue	Property and Other Local Taxes
Special Revenue/Fire Fund	2012	14,534	Intergovernmental Revenue	Property and Other Local Taxes
Special Revenue/Fire & EMS	2012	45,236	Intergovernmental Revenue	Property and Other Local Taxes

The accompanying financial statements were adjusted to correct fund balances, and the accounting records have been adjusted to correctly record this financial activity.

The failure to correctly record financial activity in the accounting records and financial statements not only may result in the material reporting errors but also impacts users' understanding of the results of operations. Incorrect assumption may inhibit the user ability to make sound financial decisions, to comply with budgetary laws, and to detect irregularities in a timely manner.

The inability to review accurate monthly bank to book reconciliations and other systems derived financial reports prevents the Trustees from performing their responsibility to monitor the financial activity of the Township and detect the reporting errors. Receipts that are not deposited timely not only increases the risk that public money will be lost or misused, but all reduces the amount of interest earned on the receipts and increases the risk of recording errors.

The Township Fiscal Officer should review the Ohio Township Handbook, Auditor of State Bulletins, and other governmental resources for guidance in correctly recording financial activity. Bank to book reconciliations should be prepared timely with all reconciling items clearly identified. The bank to book reconciliations along with budget versus actual receipt and disbursement reports, fund balance reports, and other reports deemed important by the Fiscal Officer and/or Trustees should be presented to the Trustees monthly for their review and subsequent approval affixed to the reconciliations and reports or documented in the minutes. Additionally, the Trustees should perform periodic reviews of the accounting records to help identify errors and/or irregularities. The bank statements and receipt ledgers should be reviewed to determine that receipts are being deposited timely.

FINDING NUMBER 2012-002

Material Weakness /Non-Compliance Citation

Ohio Rev. Code Section 5705.10 (D) requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2012, homestead and rollback receipts in the amount of \$15,639 were recorded in the Special Revenue Fire and EMS Fund as property tax receipts instead of being allocated to various funds as intergovernmental receipts as follows: \$1,661 to the General Fund, \$6,003 to the Special Revenue Road and Bridge Fund, and \$1,796 to the Special Revenue Fire Fund. The remaining balance of \$6,179 should have been recorded as intergovernmental receipts in the Special Revenue Fire and EMS Fund.

Also, during 2012, \$1,724 of motor vehicle license receipts and excess IRP receipts were recorded in the General Fund instead of the Special Revenue Motor Vehicle License Fund. In addition, a fire grant of \$10,000 was incorrectly recorded in the General Fund instead of the Special Revenue Fire Fund.

During 2011, a property tax receipt in the amount of \$84,231 was recorded in the Special Revenue Fire Fund instead of the Special Revenue Fire and EMS Fund. In addition homestead and rollback receipts in the amount of \$6,058 were recorded in the Special Revenue Fire fund instead of the Special Revenue Fire and EMS Fund. A payment received for excess IRP in the amount of \$450 was recorded in the General Fund instead of the Special Revenue Motor Vehicle License Tax Fund.

The accompanying financial statements were adjusted to correct fund balances, and the accounting records have been adjusted to correctly record this financial activity.

The Township Fiscal Officer should review the Ohio Township Handbook, Auditor of State Bulletins, and other governmental resources for guidance in correctly recording financial activity. Also, the Fiscal Officer and Trustees should periodically review the accounting records to help identify recording errors. This will allow for the correction of the errors in a timely manner, reduce the potential for illegal use of funds, and give a more accurate presentation of the activity within each fund.

FINDING NUMBER 2012-003

Noncompliance Citation

Ohio Rev. Code Section 145.47(B) 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. The fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. 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 2012, a total of \$24,353 should have remitted to the Ohio Public Employees Retirement System (OPERS) for both the employee and employer share of the required contribution. Only \$20,338 was remitted leaving a balance due of \$4,015 for the period. Also, payments were not made timely to OPERS during 2012 as no payments were made during the months of April, May, June, July, August, October, or November and no support was maintained for the payments made in September and December.

FINDING NUMBER 2012-003
(Continued)

Failure to timely remit OPERS payments and the required reports of contributions could result in the assessment of penalties and fees.

Procedures, such as a reminder system, should be implemented to provide for the timely submission of payments and contribution reports to the Ohio Public Employees Retirement System to avoid any delinquency penalties or fees. The Trustees should periodically review the accounting ledgers to help assure all required withholdings are made and remitted to the applicable agency.

This matter will be referred to the Ohio Public Employees Retirement System (OPERS)

FINDING NUMBER 2012-004

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made by the Township unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The statute provides the following exceptions to this basic requirement:

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 not exceeding an amount established by resolution or ordinance adopted by 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.

The Township did not properly certify forty-four percent of the disbursements tested. In addition, all sixteen “blanket” certificates in 2012 and eight in 2011 exceeded the \$20,000 limit established by resolution of the Trustees.

The failure to properly certify expenditures and/or exceeding the established maximum allowed “blanket” certificate amount could result in the Township obligating money in excess of available resources which may result in deficit spending.

**FINDING NUMBER 2012-004
(Continued)**

To improve controls over disbursements and to help reduce the possibility that budgetary spending limitations will be exceeded, the Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "the and now" certification should be used. If "blanket" certificates are issued they should be within the amount established by resolution of the Trustees. When approving expenditures, the Trustees should compare the invoice to the certification date and also verify that "blanket" certificates are within the established maximum amount.

FINDING NUMBER 2012-005

Noncompliance Citation

Ohio Revised Code 5747.07 (B) (4) states except as required by divisions (B)(1), (2), and (3) of this section, an employer shall make the payment of un-deposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with payment.

During 2012, the Fiscal Officer generated seven checks to remit Ohio withholdings. These checks were properly approved and signed by the Trustees, but were not mailed. As a result, the Township did not remit \$1,294 of Ohio Income tax withholdings for 2012. The failure to remit required withholdings can result in penalties and interest being leveled against the Township.

Procedures, such as a reminder system, should be implemented to provide for the timely submission of payments and contribution reports to the State of Ohio to avoid any delinquency penalties or fees. The Trustees should periodically review the accounting ledgers to help assure all required withholdings are made and remitted to the applicable agency.

This matter will be referred to the Ohio Department of Taxation.

FINDING NUMBER 2012-006

Noncompliance Citation

26 CFR 3403-1 states, in part, that every employer required to deduct and withhold the tax under section 3402 from the wages of an employee and is liable for the payment of such tax. **26 CFR 31.3102-2** requires that the employee tax collected under 26 CFR 31.3101-2(c) is payable in the manner and at the time prescribed in Subpart G of the regulations in this part. **26 CFR CFR 31.3111-5** states, in part, that the employer share of the tax collected under 26 CFR 31.3101-2(c) is payable in the manner and at the time prescribed in Subpart G of the regulations in this part.

During 2012, Federal income taxes and the employee and employer share of Medicare taxes in the total amount of \$7,433 were not remitted to the IRS.

The failure to remit required withholdings can result in penalties and interest being leveled against the Township.

Procedures, such as a reminder system, should be implemented to provide for the timely submission of payments and contribution reports to the IRS to avoid any delinquency penalties or fees. The Trustees should periodically review the accounting ledgers to help assure all required withholdings are made and remitted to the applicable agency.

This matter will be referred to the Internal Revenue Service (IRS).

OFFICIALS' RESPONSE TO ALL FINDINGS:

As your office is already aware, on April 1st, 2012 the Township's newly elected Fiscal Officer took office. We expected that there would be a period of learning as the new Fiscal Officer became familiar with his job responsibilities. However, by August of 2012 we became concerned with his abilities, as we were not receiving financial statements as requested and we also discovered that Township bills were going unpaid.

Unfortunately, the Trustees' control over an elected Fiscal Officer is extremely limited. We continued to request financial statements; however, they were not produced on a regular basis and when they were produced we were informed that they may not be completely accurate.

In September of 2012, Trustee Chairman Mike made a request of Chase Bank that a copy of our monthly bank statement be provided to him directly so that we could monitor our monthly banking activity. Our Fiscal Officer had indicated that he was seeking assistance from the Local Government Services Office and UAN. The Trustees continued to request financial reports with limited response. We also attempted to monitor our expenditures; however, cooperation from the Fiscal Officer were limited. The Fiscal Officer continued to tell us he was working with Local Government Services and UAN. In January 2013, we made direct contact with Local Government Services to discover that he had not solicited any assistance from their office. At that time, we then made contact with the Audit Division requesting that the regularly scheduled township audit begin as soon as possible. Unfortunately, there were further delays by the Fiscal Officer to provide the necessary information to begin the audit until April 2013. During this time there were also individual conversations with the Fiscal Officer discussing his potential resignation as our confidence in him being to be able to fulfill his duties had eroded.

On May 4th, 2013, our Fiscal Officer resigned and the Trustees appointed a Deputy Fiscal Officer who has already rectified many of the issues contained in the audit findings. We will continue to work with the Auditor's Office to make all necessary corrections and implement procedures to safeguard against this occurring in the future. It is also our intention with this completed audit to pursue our previous Fiscal Officer's Bond and himself for reimbursement of the increased audit costs, fines, penalties and late fees which were generated by his failure to perform his elected duties.

**AUGLAIZE TOWNSHIP
ALLEN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	The Township's financial statements contained recording errors.	No	Repeated as 2012-001

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Dave Yost • Auditor of State

AUGLAIZE TOWNSHIP

ALLEN 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
NOVEMBER 7, 2013**