



Dave Yost • Auditor of State

MIAMI TOWNSHIP
GREENE COUNTY

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Dave Yost • Auditor of State

Miami Township
Greene County
225 Corry Street
Yellow Springs, Ohio 45387

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

December 12, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Miami Township
Greene County
225 Corry Street
Yellow Springs, Ohio 45387

To the Board of Trustees:

We have audited the accompanying financial statements of Miami Township, Greene County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and December 31, 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Miami Township, Greene County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Miami Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

December 12, 2012

**MIAMI TOWNSHIP
GREENE 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>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$76,945	\$539,267	\$616,212
Charges for Services		119,952	119,952
Licenses, Permits and Fees	1,132		1,132
Intergovernmental	328,997	178,442	507,439
Earnings on Investments	390	42	432
Miscellaneous		21,027	21,027
Total Cash Receipts	<u>407,464</u>	<u>858,730</u>	<u>1,266,194</u>
Cash Disbursements:			
Current:			
General Government	141,123		141,123
Public Safety	1,041	538,533	539,574
Public Works	900	161,280	162,180
Health	1,155	7,418	8,573
Conservation-Recreation	8,894		8,894
Capital Outlay	95,931	80,066	175,997
Total Cash Disbursements	<u>249,044</u>	<u>787,297</u>	<u>1,036,341</u>
Excess of Receipts Over (Under) Disbursements	<u>158,420</u>	<u>71,433</u>	<u>229,853</u>
Other Financing Receipts (Disbursements):			
Other Financing Sources	<u>390</u>	<u>2,589</u>	<u>2,979</u>
Total Other Financing Receipts (Disbursements)	<u>390</u>	<u>2,589</u>	<u>2,979</u>
Net Change in Fund Cash Balances	158,810	74,022	232,832
Fund Cash Balances, January 1	<u>161,822</u>	<u>491,089</u>	<u>652,911</u>
Fund Cash Balances, December 31:			
Non-spendable		2,746	2,746
Restricted		486,071	486,071
Committed		76,294	76,294
Unassigned (Deficit)	<u>320,632</u>		<u>320,632</u>
Fund Cash Balances, December 31	<u><u>\$320,632</u></u>	<u><u>\$565,111</u></u>	<u><u>\$885,743</u></u>

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

**MIAMI TOWNSHIP
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$77,724	\$490,166	\$567,890
Charges for Services		103,612	103,612
Licenses, Permits, and Fees	782		782
Intergovernmental	191,782	182,600	374,382
Earnings on Investments	581	84	665
Miscellaneous	5,027	18,037	23,064
Total Cash Receipts	<u>275,896</u>	<u>794,499</u>	<u>1,070,395</u>
Cash Disbursements:			
Current:			
General Government	153,448		153,448
Public Safety	1,003	544,774	545,777
Public Works	34,919	169,324	204,243
Health	10,960		10,960
Capital Outlay	333	115,560	115,893
Total Cash Disbursements	<u>200,663</u>	<u>829,658</u>	<u>1,030,321</u>
Total Receipts Over/(Under) Disbursements	<u>75,233</u>	<u>(35,159)</u>	<u>40,074</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		12,331	12,331
Transfers-Out	(12,331)		(12,331)
Other Financing Sources	135	5,943	6,078
Other Financing Uses	(121)		(121)
Total Other Financing Receipts / (Disbursements)	<u>(12,317)</u>	<u>18,274</u>	<u>5,957</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	62,916	(16,885)	46,031
Fund Cash Balances, January 1	<u>98,906</u>	<u>507,974</u>	<u>606,880</u>
Fund Cash Balances, December 31	<u>\$161,822</u>	<u>\$491,089</u>	<u>\$652,911</u>
Reserve for Encumbrances, December 31	<u>\$1,460</u>	<u>\$5,387</u>	<u>\$6,847</u>

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

**MIAMI TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Miami Township, Greene 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, fire protection and emergency medical services. The Township also provides fire and EMS coverage by means of contract with Green Township, Clark County. Police protection is provided by the Greene County Sheriff's Office.

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.

Money market mutual funds (including STAR Ohio) are recorded at share values 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:

1. General Fund

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

2. Special Revenue Funds

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

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

**MIAMI TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Special Levy Fire Fund – This fund receives property tax money to provide fire protection and emergency services to the Township’s residents.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

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.

**MIAMI TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

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.

2. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54. The Implementation had no effect on total fund balances

3. 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:

**MIAMI TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

	2011	2010
Demand deposits	\$ 11,766	(\$ 7,805)
Total deposits	11,766	(7,805)
U.S. Treasury Notes		
STAR Ohio	873,977	660,716
Total investments	873,977	660,716
Total deposits and investments	\$885,743	\$652,911

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and December 31, 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 424,624	\$ 407,854	(\$16,770)
Special Revenue	850,741	861,319	10,578
Total	\$1,275,365	\$1,269,173	(\$ 6,192)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 275,320	\$ 249,044	\$ 26,276
Special Revenue	973,987	817,515	156,472
Total	\$1,249,307	\$1,066,559	\$182,748

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 311,819	\$ 276,031	(\$35,788)
Special Revenue	808,856	812,773	3,917
Total	\$1,120,675	\$1,088,804	(\$31,871)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 335,341	\$ 214,575	\$120,766
Special Revenue	1,056,583	835,045	221,538
Total	\$1,391,924	\$1,049,620	\$342,304

**MIAMI TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. 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.

6. LEASE PURCHASE AGREEMENT

Lease outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
2011 Seagrave Pumper Fire Apparatus	\$32,312	5%
Total	\$32,312	

The Township entered into a lease purchase agreement to finance the purchase of a new Seagrave Pumper Fire Engine for Township's Fire Department.

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

Year ending December 31:	Lease Purchase
2012	\$32,312
Total	\$32,312

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**MIAMI TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Self Insurance

The Township is also self-insured for dental insurance. There were no liabilities related to self-insurance at December 31, 2011



Dave Yost • Auditor of State

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

Miami Township
Greene County
225 Corry Street
Yellow Springs, Ohio 45387

To the Board of Trustees:

We have audited the financial statements of Miami Township (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 12, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Our opinion also explained that the Township adopted *Governmental Accounting Standard No. 54* for the year ended December 31, 2011. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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 timely corrected. We consider finding 2011-003 described in the accompanying schedule of findings to be a material weakness.

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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, providing an opinion 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 2011-001 and 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 12, 2012.

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

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

December 12, 2012

MIAMI TOWNSHIP
GREENE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

NONCOMPLIANCE AND FINDING FOR RECOVERY

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally reconciliation provides the Township with a picture of the Township's financial position at month end.

The December 31, 2011 bank reconciliation noted an unknown variance of \$5,849 between the book balance and the bank balance. The book balance was greater than the bank balance. The unknown variance was investigated during the audit. However, there were no apparent mis-postings resulting in this variance.

In accordance with the forgoing facts, and pursuant to **Ohio Revised Code Section 117.28**, a finding for recovery for public money not been accounted for in the amount of \$5,849 is hereby issued against Margaret Silliman, Fiscal Officer and her bonding company the Travelers Casualty and Surety Company of America in favor of Miami Township, Greene County.

In order to help verify the financial activity of the Township is properly accounted for and reported, the fiscal officer should perform monthly bank reconciliations and verify that supporting documentation for reconciling items is maintained. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going unnoticed. Additionally, independent detailed reviews should be performed of these reconciliations as means of providing for their accuracy.

Official's Response: It is respectfully noted that there is an unknown variance of \$5,849 between the book balance and the bank balance. The Township Fiscal Officer fully intends to research and meticulously examine the transactions directly associated with the months that the variances occurred. She will also consult with other Fiscal Officer's and examine the method by which funds are transferred from the investment account to the checking account within their entities in an effort to improve such transactions.

FINDING NUMBER 2011-002

NONCOMPLIANCE AND FINDING FOR RECOVERY

Ohio Rev. Code Section 505.24 and 507.09 require the Trustee and Fiscal Officer's salary to be based on the Township's budget. For fiscal year 2010, the Trustee salary was determined to be as follows:

<u>Township Budget</u>	<u>Daily Rate</u>	<u>Days</u>	<u>Salary</u>
\$750,000 - \$1,500,000	\$51.44	200	\$10,288.00
\$1,500,001 - \$3,500,000	56.59	200	\$11,318.00
Difference between two Brackets			\$ 1,030.00

The Fiscal Officer's salary for 2010 was determined to be as follows:

<u>Township Budget</u>	<u>Salary</u>
\$750,000 - \$1,500,000	\$16,977.00
\$1,500,001 - \$3,500,000	\$19,806.00
Difference between two Brackets	\$ 2,829.00

In accordance with **Ohio Attorney General Opinion 99-015** budget must be interpreted as the amount of money that the budget commission certifies the trustees of the township would have available for expenditure during the fiscal year, as shown on its latest official certificate of estimated resources. The opinion further specifies that in case, a township's budget increases from one bracket to next, the annual salary should be increased on the effective date of budget increase. The increase must, however, be prorated for the portion of the year remaining after the effective date of the increase and would not result in a retroactive payment for the portion of the year already served.

The Township had \$1,444,131 as available for appropriation per January 28, 2010 certificate of estimated resources. The November 1, 2010, amended certificate moved the Township from \$750,000 - \$1,500,000 to the next bracket. After this date, the Township should have used the \$1,500,001 - \$3,500,000 bracket to determine annual compensation of the Trustees and the Fiscal Officer, instead of using the old \$750,000 - \$1,500,000 bracket.

Following is the schedule of payments made to the fiscal officer during 2010:

<u>Check Date</u>	<u>Pay Period</u>	<u>Gross Salary</u>	<u>Budget</u>	<u>Gross Per Ohio Rev. Code</u>	<u>Overpayment (Underpayment)</u>	
1/1/2010	Dec-09	\$1,415	Over 1.5 Mill	\$1,650	(\$ 235)	AA
2/1/2010	Jan-10	1,415	Under 1.5 Mill	1,415		
3/1/2010	Feb-10	1,415	Under 1.5 Mill	1,415		
4/1/2010	Mar-10	1,415	Under 1.5 Mill	1,415		
5/4/2010	Apr-10	1,650	Under 1.5 Mill	1,415	235	
6/2/2010	May-10	1,650	Under 1.5 Mill	1,415	235	
7/1/2010	Jun-10	1,811	Under 1.5 Mill	1,415	396	
8/2/2010	Jul-10	1,811	Under 1.5 Mill	1,415	396	
9/2/2010	Aug-10	1,811	Under 1.5 Mill	1,415	396	
10/1/2010	Sep-10	1,811	Under 1.5 Mill	1,415	396	
10/25/2010		3,418	Back Pay	3,418		
11/1/2010	Oct-10	1,811	Under 1.5 Mill	1,415	396	
12/1/2010	Nov-10	1,811	Over 1.5 Mill	1,650	161	
12/20/2010	Dec-10	1,811	Over 1.5 Mill	1,650	161	
Total					<u>\$2,537</u>	

**FINDING NUMBER 2011-002
 (Continued)**

AA – underpayment for January 1, 2010 paycheck was paid to the fiscal officer as part of October 25, 2010 check which included back pay for underpayments during 2009 and 2008.

Total salary overpayments made to the Fiscal Officer during 2010 were \$2,772

Following is the schedule of payments made to all three trustees during 2010:

Check Date	Pay Period	Gross Salary	Budget	Gross Per Ohio Rev. Code	Overpayment (Underpayment)	
1/1/2010	Dec-09	\$ 857	Over 1.5 Mill	\$ 943	(\$ 86)	BB
2/1/2010	Jan-10	857	Under 1.5 Mill	857		
3/1/2010	Feb-10	857	Under 1.5 Mill	857		
4/1/2010	Mar-10	857	Under 1.5 Mill	857		
5/4/2010	Apr-10	943	Under 1.5 Mill	857	86	
6/2/2010	May-10	943	Under 1.5 Mill	857	86	
7/1/2010	Jun-10	1,000	Under 1.5 Mill	857	143	
8/2/2010	Jul-10	1,000	Under 1.5 Mill	857	143	
9/2/2010	Aug-10	1,000	Under 1.5 Mill	857	143	
10/1/2010	Sep-10	1,000	Under 1.5 Mill	857	143	
10/25/2010		1,245	Back Pay	1,245		
11/1/2010	Oct-10	1,000	Under 1.5 Mill	857	143	
12/1/2010	Nov-10	1,000	Over 1.5 Mill	943	57	
12/20/2010	Dec-10	1,000	Over 1.5 Mill	943	57	
Total					\$915	

BB – underpayment for January 1, 2010 paycheck was paid to each trustee as part of October 25, 2010 check which included back pay for underpayments during 2009 and 2008.

Total salary overpayments made to each Trustee during 2010 was \$1,001.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended in the amount of \$2,772 is hereby issued against Margaret Silliman, Fiscal Officer and her bonding company Travelers Casualty and Surety Company of America and in favor of Miami Township Greene County's General Fund.

Additionally, in accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended in the amount of \$1,001 each is hereby issued against Mark Crockett, Trustee; Christopher Mucher, Trustee, Lamar Spracklen, Trustee and their bonding company Old Republic Surety Company and in favor of Miami Township Greene County's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

**FINDING NUMBER 2011-002
(Continued)**

At least one of the Trustees and the Fiscal Officer signed all the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Margaret Silliman, Fiscal Officer and her bonding company the Travelers Casualty and Surety Company of America in the amount of \$3,003; Trustee Mark Crockett and his bonding company Old Republic Surety Company in the amount of \$3,866 for the checks on which overpayments were made that he signed, Trustee Christopher Mucher and his bonding company Old Republic Surety Company in the amount of \$3,987 for the checks on which overpayments were made that he signed and Trustee Lamar Spracklen and his bonding company Old Republic Surety Company in the amount of \$2,311 for the checks on which overpayments were made that he signed and in favor of the Miami Township, Greene County.

The Township should review compensation for the Trustees and the Fiscal Officer and verify they are in accordance with the Ohio Revised Code. Failure to do so could result in more overpayments in future years.

Official's Response: The overpayment of salaries to the Trustees and Fiscal Officer occurred during 2010 beginning in May, 2010 is noted. The Fiscal Officer acknowledges her responsibility in knowing the regulations pertaining to salaries and hinging upon the Township's budget submitted each January.

During the 2008-09 Audit, this situation was discovered and the fiscal officer was notified at this time. Auditor of State's office authorized us to begin collecting the raise in the current year-2010. (We had under-paid ourselves for the entire year of 2009.) We were also directed to contact the County Prosecutor for advice on allowing us to collect back-pay for 2009, which we did.

This change in salaries was the first time since the Fiscal Officer took office in 2000.

Auditor of State's Conclusion: 2009 audit discovered underpayments to the Trustees and the Fiscal officer and reported the issue to the Township in the management letter. A recommendation was made for the Township to review compensation of Trustees and the Fiscal Officer. Additionally, the Township was verbally directed to contact their legal counsel regarding compensating the Trustees and the Fiscal Officer for underpayments.

After obtaining an opinion from the County Prosecutor's office, the Township paid the Fiscal Officer and the Trustees for underpayments made during 2008 and 2009 on October 25, 2010. The Township also increased salaries for the Trustees and the Fiscal Officer starting May 2010 based on the audit recommendation and making an assumption that the Township's budget bracket did not change from 2009 to 2010. However, the Township's budget at the beginning of 2010 fell to less than \$1,500,000 and it did not go over this amount until November 2010. The Township had been correctly compensating the Trustees and the Fiscal Officer for the budget bracket of \$750,000 - \$1,500,000 at the beginning of 2010 and no raise was warranted until November 2010 when the Township went to the next budget bracket. Increase in Trustee and Fiscal Officer's salaries from May through November were illegal in accordance with Ohio Rev. Code and the Trustees and the Fiscal Officer directly benefitted from the overpayments. Therefore, a finding for recovery has been issued for public money illegally expended.

FINDING NUMBER 2011-003

MATERIAL WEAKNESS

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned. Following is brief description of fund balance classifications per the GASB statement:

**FINDING NUMBER 2011-003
(Continued)**

Restricted Fund Balance - The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation. (GASB 54 8)

Committed Fund Balance - The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. (GASB 54 ¶10)

Assigned Fund Balance - Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 17).

The Township's Road and Bridge Fund received tax proceeds from a 1.50 inside mil levy in accordance with Ohio Rev. Code Section 5705.06(F). The restriction on funds received from inside millage was internally imposed by the Trustees and in accordance with paragraph 10 of statement number 54, and therefore the Road and Bridge fund balance should have been reported as committed. The Township reported \$76,294 in the December 31, 2011 Road and Bridge Fund balance as restricted instead of committed in the Special Revenue Funds. An audit adjustment was required to properly present the committed fund balances on the accompanying financial statements.

Policies and procedures should be established and implemented to verify that the Township properly presents fund balances in accordance with GASB statement No. 54. Additionally, the District should refer to Auditor of State Bulletin 2011-004 regarding guidance related to GASB 54 fund balance classification. Failure to do so could result in material misstatements on the financial statements.

Official's Response: It is respectfully noted that the Road and Bridge Fund was incorrectly classified in accordance with GASB statement No. 54. This will be corrected immediately along with the closing of the year 2012.

**MIAMI TOWNSHIP
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Problems noted with monthly bank reconciliations	No	Repeated as Finding Number 2011-001
2009-002	Ohio Rev. Code Section 149.351(A) – Destruction of Public Records	Yes	
2009-003	Understatement of Reserve for Encumbrances balance on the financial statements	Yes	



Dave Yost • Auditor of State

MIAMI TOWNSHIP

GREENE 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
JANUARY 22, 2013