

Rush Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2011 and 2010



Millhuff-Stang, CPA, Inc.  
1428 Gallia Street, Suite 2  
Portsmouth, Ohio 45662  
Phone: 740.876.8548 ■ Fax: 888.876.8549  
Website: [www.milhuffstangcpa.com](http://www.milhuffstangcpa.com) ■ Email: [natalie@milhuffstangcpa.com](mailto:natalie@milhuffstangcpa.com)





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Rush Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Rush Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 26, 2012

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**Rush Township**  
**Scioto County**  
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*For the Years Ended December 31, 2011 and 2010*

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**Independent Auditor's Report**

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

We have audited the accompanying financial statements of Rush Township, Scioto 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that 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 governments 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 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 of Rush Township, Scioto County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 9, during 2011 the 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 June 28, 2012 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



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

June 28, 2012



**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, 2011*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$53,334	\$251,557	\$304,891
Licenses, Permits, and Fees	21,574	10,599	32,173
Intergovernmental	40,170	179,739	219,909
Miscellaneous	4,326	50	4,376
<b>Total Cash Receipts</b>	<b>119,404</b>	<b>441,945</b>	<b>561,349</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	104,847	1,000	105,847
Public Safety	974	138,206	139,180
Public Works	0	213,423	213,423
Health	23,811	4,564	28,375
Capital Outlay	3,800	21,187	24,987
<b>Debt Service:</b>			
Redemption of Principal	0	53,229	53,229
Interest and Other Fiscal Charges	0	3,683	3,683
<b>Total Cash Disbursements</b>	<b>133,432</b>	<b>435,292</b>	<b>568,724</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(14,028)</b>	<b>6,653</b>	<b>(7,375)</b>
<b>Fund Cash Balances (Deficit), January 1</b>	<b>(12,147)</b>	<b>319,479</b>	<b>307,332</b>
<b>Fund Cash Balances (Deficit), December 31</b>			
<b>Restricted for:</b>			
Road and Bridge Maintenance and Improvements	0	120,100	120,100
Cemetery	0	14,928	14,928
Fire Operations	0	103,571	103,571
Police Operations	0	20,467	20,467
<b>Committed to:</b>			
Road and Bridge Maintenance and Improvements	0	67,066	67,066
Unassigned	(26,175)	0	(26,175)
<b>Fund Cash Balances (Deficit), December 31</b>	<b>(\$26,175)</b>	<b>\$326,132</b>	<b>\$299,957</b>

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

**Rush Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2010*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$49,873	\$247,599	\$297,472
Licenses, Permits, and Fees	19,418	9,032	28,450
Intergovernmental	33,328	244,790	278,118
Miscellaneous	364	365	729
<b>Total Cash Receipts</b>	<b>102,983</b>	<b>501,786</b>	<b>604,769</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	95,890	3,000	98,890
Public Safety	9,240	241,380	250,620
Public Works	0	151,689	151,689
Health	22,373	11,882	34,255
Capital Outlay	2,000	69,530	71,530
<b>Debt Service:</b>			
Redemption of Principal	0	48,749	48,749
Interest and Other Fiscal Charges	0	7,644	7,644
<b>Total Cash Disbursements</b>	<b>129,503</b>	<b>533,874</b>	<b>663,377</b>
<b>Total Cash Receipts Under Cash Disbursements</b>	<b>(26,520)</b>	<b>(32,088)</b>	<b>(58,608)</b>
<b>Fund Cash Balances, January 1</b>	<b>14,373</b>	<b>351,567</b>	<b>365,940</b>
<b>Fund Cash Balances (Deficit), December 31</b>	<b>(\$12,147)</b>	<b>\$319,479</b>	<b>\$307,332</b>

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

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Rush Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Scioto Ambulance District for ambulance services.

The Township participates in a jointly governed organization. Note 10 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 expenditure 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, 2011 and 2010*

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

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

**Budgetary Process**

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

*Appropriations*

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

*Estimated Resources*

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

*Encumbrances*

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated in the subsequent year.

A summary of the 2011 and 2010 budgetary activity appears in Note 3.

**Fund Balances**

For December 31, 2011, 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, 2011 and 2010*

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

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

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

The Township applies restricted resources first when 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.

**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:

	2011	2010
Demand Deposits	\$299,957	\$307,332

*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, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,605	\$119,404	\$4,799
Special Revenue	456,238	441,945	(14,293)
Total	\$570,843	\$561,349	\$(9,494)

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$133,590	(\$133,590)
Special Revenue	0	435,798	(435,798)
Total	\$0	\$569,388	(\$569,388)

Budgetary expenditures in the above table includes encumbrances outstanding as of December 31, 2011.

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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

Budgetary activity for the year ending December 31, 2010 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,454	\$102,983	\$19,529
Special Revenue	463,185	501,786	38,601
Total	<u>\$546,639</u>	<u>\$604,769</u>	<u>\$58,130</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$129,503	\$(129,503)
Special Revenue	0	533,874	(533,874)
Total	<u>\$0</u>	<u>\$663,377</u>	<u>\$(663,377)</u>

**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.

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.

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, 2011 was as follows:

	Principal	Interest Rate
General Obligation Note – Fire Station	\$38,761	4.54%
General Obligation Note – Fire Truck	22,744	4.77%
General Obligation Note – Dump Truck	14,128	4.00%
	<u>\$75,633</u>	

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

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

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 5 – Debt (Continued)**

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

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

Year Ending December 31:	General Obligation Note – Fire Station	General Obligation Note – Fire Truck	General Obligation Note – Dump Truck
2012	\$27,342	\$22,744	\$7,379
2013	13,671	0	7,379
2012	0	0	559
Totals	<u>\$41,013</u>	<u>\$22,744</u>	<u>\$15,317</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 2011 and 2010, 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, 2011.

**Note 7 – Risk Management**

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

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP.) 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 Coverage**

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA’s retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

**Rush Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 7 – Risk Management (Continued)**

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$30,872.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2011 and 2010 were \$15,436 and \$14,411, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.



**Rush Township**  
**Scioto County**

*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**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 – Change in Accounting Principles**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, which the Township has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Township’s fund balance but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Township has no funds that required fund reclassification.

**Note 10 – 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.

**Note 11 – 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 had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B). The Township did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D). The Township did not maintain proper supporting documentation for allocations of Trustees’ salaries, contrary to Ohio Revised Code Section 505.24. The Township incurred negative fund balances in its General Fund at December 31, 2011 and 2010, which is contrary to Ohio Revised Code Section 5705.10.

**Note 12 – Subsequent Events**

On January 16, 2012, the Village entered into an agreement with Pierce to purchase a fire truck in the amount of \$279,705.

**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  
P.O Box 252  
McDermott, Ohio 45652

We have audited the financial statements of Rush Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 28, 2012, wherein we noted the Township followed the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Township is responsible for establishing and maintaining effective 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 auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, which are described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2.

Rush Township  
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-3 through 2011-7.

We noted certain matters that we reported to management of the Township in a separate letter dated June 28, 2012.

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

This report is intended solely for the information and use of management, the Board of Trustees, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



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

June 28, 2012

**Rush Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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

**FINDING NUMBER 2011-1**

**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 2011 and 2010, 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 both years. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

**Client Response:**

Will try to improve.

**FINDING NUMBER 2011-2**

**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 2011 and 2010, we identified that amendments to estimated resources as filed with the County Auditor were not recorded within the accounting system. Also, during 2011 and 2010, we identified that an appropriations entered into the accounting system without evidence that the amendment was 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 2011-3**

**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. Annual appropriation measures for 2010 and 2011 were not filed timely with the County Auditor. 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.

**Rush Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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**FINDING NUMBER 2011-4**

**Noncompliance Citation – Negative Fund Balances**

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. The Township’s general fund had negative fund balance at December 31, 2011 and 2010 which was primarily a result of audit adjustments for items posted to incorrect funds. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Township should implement the appropriate procedures to ensure that money paid into a fund is used only for the purposes for which the fund has been established.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2011-5**

**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 2010 and 2011. Failure to properly monitor budgetary information subjects the Township to the risk of spending in excess of authorized limits. The Township should implement additional monitoring procedures to ensure the expenditures are within authorized appropriations.

**Client Response:**

The client chose not to respond.

**FINDING NUMBER 2011-6**

**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.

**Rush Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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**FINDING NUMBER 2011-6 (Continued)**

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

1. “Then and Now” Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

There were several instances identified in 2011 and 2010 for which funds were not properly certified prior to commitment or expenditure of funds. Failure to certify the availability of funds properly can result in overspending funds 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.

**Rush Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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**FINDING NUMBER 2011-7**

**Noncompliance Citation – Trustees’ Salary Allocations**

Ohio Revised Code Section 505.24(C) states:

Trustees receiving per diem compensation: The trustees must resolve a method by which each trustee shall periodically notify the township fiscal officer of the number of days spent on township services and the kinds of services rendered on those days. The per diem compensation shall be paid from the township general fund or from other township funds in proportion to the kinds of services rendered, as documented. (For example, the township could charge trustee time spent on road repairs to the road & bridge fund.) Ohio Revised Code Section 505.24 limits the number of days a trustee can be compensated to 200.

Trustees receiving compensation by annual salary: By resolution, Ohio Revised Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When a trustee chooses to be paid using the salary method, no documentation process need be established as long as the salaried trustee is being paid solely from the general fund. Ohio Revised Code Section 505.24(C) does not prescribe a “documentation of time spent” requirement.

However, for salaries not paid from the general fund, 2004 OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record-keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the General Fund, as described above.) There is no one method for documenting time and kinds of services rendered. A diary, timesheets or other methods will suffice if they include the information described above.

Prior to this OAG Opinion, regarding (2) above, the AOS accepted resolutions that specified percentages of salaries to allocate to various funds, as complying with Ohio Revised Code Section 505.24. This OAG Opinion alters that conclusion. Resolutions to pay trustees by salary should now specify that a township will allocate salaries based on documentation the trustees submit, not based on percentages a resolution specifies.

The Township paid the trustees’ salaries from the funds other than General Fund without documentation of time spent for the purpose. The Township should pay Trustees’ salaries solely from the General Fund or should maintain timesheets or other appropriate documentation for the time spent for the purpose of each fund other than General Fund.

**Client Response:**

The client chose not to respond.

**Rush Township**  
**Scioto County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended 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><b>Explain</b></i>
Finding 2009-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2011-1
Finding 2009-2	Material Weakness – Budgetary Information within UAN	No	Reissued as Finding 2011-2
Finding 2009-3	Noncompliance with ORC Section 5705.38(A) – Failure to Approve Appropriations Timely	No	Reissued as Finding 2011-3
Finding 2009-4	Noncompliance with ORC Section 5705.39 – Appropriations in Excess of Estimated Resources	No Longer Valid	No longer valid due to failure to adopt appropriations during audit period.
Finding 2009-5	Noncompliance with ORC Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2011-5
Finding 2009-6	Noncompliance with ORC Section 5705.41(D) – Prior Certification of Funds	No	Reissued as Finding 2011-6
Finding 2009-7	Noncompliance with ORC Section 505.24(C) – Trustees’ Salary Allocations	No	Reissued as Finding 2011-7





# 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  
JANUARY 8, 2013**