



Dave Yost • Auditor of State

YORK TOWNSHIP
FULTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

York Township
Fulton County
6955 County Road FG, P.O. Box 248
Delta, Ohio 43515-0248

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of York Township, Fulton County, Ohio (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's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, 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 York Township, Fulton County, Ohio 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in 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 17, 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 17, 2013

**YORK TOWNSHIP
FULTON COUNTY**

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

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|----------------------------|-----------------------------|---|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$74,223 | \$185,615 | | \$259,838 |
| Charges for Services | | 533,000 | | 533,000 |
| Licenses, Permits and Fees | | 1,703 | | 1,703 |
| Intergovernmental | 73,208 | 107,300 | \$2,500 | 183,008 |
| Earnings on Investments | 387 | 273 | | 660 |
| Miscellaneous | 28,510 | 7,998 | | 36,508 |
| <i>Total Cash Receipts</i> | <u>176,328</u> | <u>835,889</u> | <u>2,500</u> | <u>1,014,717</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 193,189 | | | 193,189 |
| Public Safety | | 516,063 | | 516,063 |
| Public Works | | 192,617 | | 192,617 |
| Health | | 2,629 | | 2,629 |
| Other | | 1,861 | | 1,861 |
| Capital Outlay | 44,934 | 81,424 | | 126,358 |
| Debt Service: | | | | |
| Principal Retirement | | 37,029 | | 37,029 |
| Interest and Fiscal Charges | | 4,313 | | 4,313 |
| <i>Total Cash Disbursements</i> | <u>238,123</u> | <u>835,936</u> | | <u>1,074,059</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(61,795)</u> | <u>(47)</u> | <u>2,500</u> | <u>(59,342)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>211,720</u> | <u>808,095</u> | | <u>1,019,815</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 341,619 | 2,500 | 344,119 |
| Committed | | 466,429 | | 466,429 |
| Unassigned | 149,925 | | | 149,925 |
| <i>Fund Cash Balances, December 31</i> | <u>\$149,925</u> | <u>\$808,048</u> | <u>\$2,500</u> | <u>\$960,473</u> |

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

**YORK TOWNSHIP
FULTON COUNTY**

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

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals</u> |
|---|----------------------------------|----------------------------------|------------------------------|
| | <u>Internal Service</u> | <u>Private Purpose Trust</u> | <u>(Memorandum Only)</u> |
| Operating Cash Receipts | | | |
| Earnings on Investments | | \$9 | \$9 |
| Operating Cash Disbursements | | | |
| Employee Fringe Benefits | \$3,993 | | 3,993 |
| <i>Net Change in Fund Cash Balances</i> | (3,993) | 9 | (3,984) |
| <i>Fund Cash Balances, January 1</i> | 5,908 | 1,948 | 7,856 |
| <i>Fund Cash Balances, December 31</i> | <u>\$1,915</u> | <u>\$1,957</u> | <u>\$3,872</u> |

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

**YORK TOWNSHIP
FULTON COUNTY**

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

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-------------------------|----------------------------|---|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$76,870 | \$164,652 | \$241,522 |
| Charges for Services | | 502,773 | 502,773 |
| Licenses, Permits and Fees | | 2,891 | 2,891 |
| Intergovernmental | 80,963 | 135,122 | 216,085 |
| Earnings on Investments | 268 | 293 | 561 |
| Miscellaneous | 29,468 | 6,319 | 35,787 |
| <i>Total Cash Receipts</i> | <u>187,569</u> | <u>812,050</u> | <u>999,619</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 190,526 | | 190,526 |
| Public Safety | | 501,629 | 501,629 |
| Public Works | | 112,171 | 112,171 |
| Health | | 3,905 | 3,905 |
| Other | | 1,937 | 1,937 |
| Capital Outlay | 22,397 | 59,045 | 81,442 |
| Debt Service: | | | |
| Principal Retirement | 6,000 | 28,029 | 34,029 |
| Interest and Fiscal Charges | 500 | 2,762 | 3,262 |
| <i>Total Cash Disbursements</i> | <u>219,423</u> | <u>709,478</u> | <u>928,901</u> |
| <i>Net Change in Fund Cash Balances</i> | (31,854) | 102,572 | 70,718 |
| <i>Fund Cash Balances, January 1</i> | <u>243,574</u> | <u>705,523</u> | <u>949,097</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 396,104 | 396,104 |
| Committed | | 411,991 | 411,991 |
| Unassigned | 211,720 | | 211,720 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$211,720</u></u> | <u><u>\$808,095</u></u> | <u><u>\$1,019,815</u></u> |

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

**YORK TOWNSHIP
FULTON COUNTY**

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

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals</u> |
|--|----------------------------------|----------------------------------|------------------------------|
| | <u>Internal Service</u> | <u>Private Purpose Trust</u> | <u>(Memorandum Only)</u> |
| Operating Cash Receipts | | | |
| Earnings on Investments (trust funds only) | | \$8 | \$8 |
| Operating Cash Disbursements | | | |
| Employee Fringe Benefits | \$4,127 | | 4,127 |
| <i>Net Change in Fund Cash Balances</i> | (4,127) | 8 | (4,119) |
| <i>Fund Cash Balances, January 1</i> | 10,035 | 1,940 | 11,975 |
| <i>Fund Cash Balances, December 31</i> | <u>\$5,908</u> | <u>\$1,948</u> | <u>\$7,856</u> |

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

**YORK TOWNSHIP
FULTON 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 York Township, Fulton County, Ohio (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 participates in Ohio Township Association Risk Management Authority (OTARMA), which is a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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.

The U.S. Savings Bond is valued at the bond's value at the time it was bequeathed to the Township. 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 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 fund:

EMS Fund - This fund receives revenues from Fulton County based on a contractual agreement executed for the provision of emergency medical services.

**YORK TOWNSHIP
FULTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant Capital Project fund

EMS Grant Fund - The Township received a grant from the State of Ohio to purchase equipment for its emergency medical service.

4. Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Township had the following Internal Service fund:

Self-funded Health Insurance Fund – This fund receives revenues from the General fund to pay medical claims of officials and employees enrolled in the health insurance plan.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust funds are for the benefit of certain individuals and are bequests that provide for cemetery maintenance, flowers and free graves.

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, 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

YORK TOWNSHIP
FULTON COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

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.

A summary of 2012 and 2011 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. Nonspendable

The Township classifies assets as *nonspendable* 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.

**YORK TOWNSHIP
FULTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Township reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

| | Fund Balance at December 31, 2010 | GASB 54 Change in Fund Structure | Adjusted Fund Balance at January 1, 2011 |
|------------------------|--|---|---|
| General | \$175,807 | \$67,767 | \$243,574 |
| Special Revenue | 773,290 | (67,767) | 705,523 |

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:

| | | |
|--------------------------------|-----------|-------------|
| | 2012 | 2011 |
| Demand deposits | \$464,814 | \$528,519 |
| U.S. Savings Bond | 500 | 500 |
| STAR Ohio | 499,031 | 498,651 |
| Total investments | 499,531 | 499,151 |
| Total deposits and investments | \$964,345 | \$1,027,671 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township;

Investments: The U.S. Savings Bond is held by the Township in the Township's name. Investments in Star Ohio are not evidenced by securities that exist in physical or book entry form.

**YORK TOWNSHIP
FULTON COUNTY**

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

| 2012 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$147,660 | \$176,328 | \$28,668 |
| Special Revenue | 811,333 | 835,889 | 24,556 |
| Capital Projects | 2,500 | 2,500 | 0 |
| Private Purpose Trust | 15 | 9 | (6) |
| Total | <u>\$961,508</u> | <u>\$1,014,726</u> | <u>\$53,218</u> |

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$302,562 | \$238,123 | \$64,439 |
| Special Revenue | 1,671,527 | 835,936 | 835,591 |
| Internal Service | 5,908 | 3,993 | 1,915 |
| Private Purpose Trust | 1,963 | | 1,963 |
| Total | <u>\$1,981,960</u> | <u>\$1,078,052</u> | <u>\$903,908</u> |

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$121,563 | \$187,569 | \$66,006 |
| Special Revenue | 809,576 | 812,050 | 2,474 |
| Capital Projects | 2,500 | | (2,500) |
| Private Purpose Trust | 15 | 8 | (7) |
| Total | <u>\$933,654</u> | <u>\$999,627</u> | <u>\$65,973</u> |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$297,370 | \$219,423 | \$77,947 |
| Special Revenue | 1,579,791 | 709,478 | 870,313 |
| Capital Projects | 2,500 | | 2,500 |
| Internal Service | 10,035 | 4,127 | 5,908 |
| Private Purpose Trust | 1,955 | | 1,955 |
| Total | <u>\$1,891,651</u> | <u>\$933,028</u> | <u>\$958,623</u> |

Contrary to the Ohio Revised Code, monies from the Road and Bridge fund were used for costs other than those related to the construction, reconstruction, resurfacing and repair of roads and bridges.

**YORK TOWNSHIP
FULTON COUNTY**

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

Debt outstanding at December 31, 2012 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|------------------|----------------------|
| Ohio Township Association Lease-Purchase Agreement | \$50,000 | 2.00% - 4.75% |
| Ohio Public Works Commission Loan | 12,029 | |
| Total | <u>\$62,029</u> | |

The Township entered into a \$230,000 lease-purchase agreement with the Ohio Township Association (OTA) Leasing in accordance with Section 505.267 of the Ohio Revised Code. This agreement was to refinance a loan for the construction of the Township Administration/EMS building. The Township will pay the Bank of New York semi-Annual rent payments for eleven years, starting in June 2004 and ending with the final payment on November 15, 2014. The total payments including principal and interest will be \$300,357 over the life span of the lease. As stated in the lease-purchase agreement, the Township can fully execute the terms of the agreement at any time by paying off remaining payments in a lump sum. Upon fully executing the term of the lease-purchase agreement, the Township will assume ownership of the building. This debt is paid from the EMS and General Funds.

The Township has financed a portion of the Road C project costs through the Ohio Public Works Commission (OPWC). This loan began in 2004 and will end in 2013. This debt is paid from the Road and Bridge Fund.

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

| Year ending December 31: | <u>OTA Lease- Purchase Agreement</u> | <u>Ohio Public Works Commission</u> |
|--------------------------|--|---|
| 2013 | \$28,125 | \$12,029 |
| 2014 | 26,938 | |
| Total | <u>\$55,063</u> | <u>\$12,029</u> |

**YORK TOWNSHIP
FULTON COUNTY**

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

7. 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 plan's 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, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

8. 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.

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.

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 | <u>(9,355,082)</u> | <u>(9,718,792)</u> |
| Net Position | <u>\$25,416,188</u> | <u>\$25,367,373</u> |

YORK TOWNSHIP
FULTON COUNTY

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

8. 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 \$7.96 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 \$17,000.

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.

| <u>Contributions to OTARMA</u> | |
|--------------------------------|-------------|
| <u>2012</u> | <u>2011</u> |
| \$29,518 | \$29,849 |

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.



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*

York Township
Fulton County
6955 County Road FG, P.O. Box 248
Delta, Ohio 43515-0248

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 York Township, Fulton County, Ohio (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 17, 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 and wherein the Township adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

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 through 2012-003 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2012-002.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 17, 2013

YORK TOWNSHIP
FULTON 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

We identified tangible personal property reimbursements which were posted as tax revenues instead of intergovernmental revenues of \$17,379 in 2012 and \$9,048 in 2011 within the General Fund and \$41,154 in 2012 and \$26,854 in 2011 within the Special Revenue Type funds.

Sound financial reporting is the responsibility of the Fiscal Officer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review and Township Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

FINDING NUMBER 2012-002

Noncompliance Citation/Material Weakness - Payroll Allocation

Ohio Revised Code § 5705.10 requires monies paid any fund shall be used only the purpose for which such fund was established.

The Township authorized a levy in accordance with **Ohio Revised Code § 5705.06(F)** for the construction, reconstruction, resurfacing, and repair of roads and bridges without vote of the people within ten-mill limitation. The proceeds are placed in the Township's Road and Bridge fund.

Wages of the Township's maintenance staff were allocated entirely to this fund in 2012 and 2011. A review of time sheets noted wages of \$26,585 in 2012 and \$18,130 in 2011 relating to functions performed with the Township's cemeteries, fire service and general operations.

Monies from this special fund can only be used for cost related to the construction, reconstruction resurfacing and repair of roads and bridges. An adjustment was recorded to reallocate these expenditures to the General Fund.

The Fiscal Officer should review the Ohio Township Manual and Ohio Revised Code to determine allowable expenditures for each fund.

FINDING NUMBER 2012-003

Material Weakness - Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions.

**FINDING NUMBER 2012-003
 (Continued)**

Special revenue funds are defined as funds used to 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.

Restricted revenues included those where constraints have placed been on the use by 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 or enabling legislation.

Committed revenues include 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 (such as an ordinance or resolution).

There were four funds (Worthington real estate tax donation, Worthington contract road 10 sewer, Bailey PVS real estate tax donation, and Fulton County Processing Real Estate Tax Donation) which do not meet the definition of a special revenue fund. The revenue sources of these funds are not restricted or committed. The financial activity of these funds (combined revenues of \$44,934 and \$74,949 and expenditures of \$27,649 and \$67,767 in 2012 and 2011, respectively), should be combined with the general fund for reporting purposes. Adjustments were included in the accompanying financial statements.

Revenue sources for the EMS and Fire funds which are payments from contractual service agreements and the Road and Bridge fund which is a property tax levy from inside millage were reported as restricted. The Board of Trustees, by resolution, committed these revenue sources for EMS, Fire and Road and Bridge purposes. The following fund balances were adjusted to “committed” from “restricted”:

| | 12/31/2012 | 12/31/2011 |
|----------------------|------------|------------|
| EMS fund | \$208,088 | \$223,483 |
| Fire fund | 171,428 | 125,689 |
| Road and Bridge fund | 68,782 | 62,819 |

There is also an additional special levy passed by the electorate for road maintenance. These revenues were reported as committed instead of restricted in 2011. An adjustment was made to the Township’s financial statements to move the fund’s balance of \$66,694 from committed to restricted.

In order to ensure the Township’s governmental fund balances are reported in accordance with GASB 54, we recommend the Township’s fiscal officer review Auditor of State Bulletin 2011-004. We further recommend the Township reconsider the need for a separate accounting of the four funds mentioned above which do meet the criteria for a special revenue fund since it appears to be no constraints on the use of these monies.

Adjustments were made to the Township’s financial statements to correct the allocation of these payments.

Officials’ Response:

We did not receive a response from Officials to the findings reported above.

**YORK TOWNSHIP
FULTON 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> |
|----------------|--|------------------|--|
| 2010-001 | Finding for Recovery – Overpayment of compensation which was repaid under audit. | Yes | |
| 2010-002 | Material weakness due to certain intergovernmental revenues being misclassified as tax revenues. | No | Not Corrected. Reissued as Finding 2012-001 in this report. |

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Dave Yost • Auditor of State

YORK TOWNSHIP

FULTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 3, 2013