



Dave Yost • Auditor of State

HOMER TOWNSHIP
MORGAN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Homer Township
Morgan County
8333 Bishopville Road
Glouster, Ohio 45732

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Homer Township, Morgan County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), 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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During 2012, the Fiscal Officer improperly posted rollback and homestead reimbursements entirely to the General Fund instead of allocating to the appropriate Special Revenue Funds in the amount of \$4,291, and expenditures were paid from incorrect funds that resulted in the General Fund being undercharged and Special Revenue Funds being overcharged in the amount of \$1,240. The cumulative effect of these 2012 adjustments would decrease the General Fund cash balance by \$5,531 and increase the Special Revenue fund type cash fund balance by \$5,531. The Township has declined to make these adjustments. See Note 8 for additional clarification.

During 2013, the Fiscal Officer improperly posted rollback and homestead reimbursements entirely to the General Fund instead of allocating to the appropriate Special Revenue Funds, in the amount of \$775; Trustees payroll charges were not allocated according to payroll documentation, the General Fund was undercharged and the Special Revenue Fund were overcharged, in the amount of \$1,358; and expenditures were paid from incorrect funds that resulted in the General Fund being undercharged and Special Revenue Funds being overcharged in the amount of \$2,311. The effect of the unposted 2012 adjustments, in the amount of \$5,531 and the unposted 2013 adjustments, in the amount of \$4,444, would have the cumulative effect of decreasing the 2013 General Fund cash fund balance by \$9,975 and increasing the Special Revenue Fund cash fund balance by \$9,975. The Township has declined to make these adjustments. See Note 8 for additional clarification.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Homer Township, Morgan County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraphs, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 8 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, 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

January 28, 2015

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**HOMER TOWNSHIP
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$37,843	\$32,950			\$70,793
Charges for Services	2,735				2,735
Intergovernmental	15,655	99,851			115,506
Earnings on Investments	517	318		\$70	905
Miscellaneous	13				13
<i>Total Cash Receipts</i>	<u>56,763</u>	<u>133,119</u>	<u>\$0</u>	<u>70</u>	<u>189,952</u>
Cash Disbursements					
Current:					
General Government	51,151				51,151
Public Safety		10,996			10,996
Public Works		116,928			116,928
Human Services		2,000		133	2,133
Debt Service:					
Principal Retirement		7,847			7,847
Interest and Fiscal Charges		234			234
<i>Total Cash Disbursements</i>	<u>51,151</u>	<u>138,005</u>	<u>0</u>	<u>133</u>	<u>189,289</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,612</u>	<u>(4,886)</u>	<u>0</u>	<u>(63)</u>	<u>663</u>
Other Financing Receipts (Disbursements)					
Other Financing Sources	754	299			1,053
<i>Total Other Financing Receipts (Disbursements)</i>	<u>754</u>	<u>299</u>	<u>0</u>	<u>0</u>	<u>1,053</u>
<i>Net Change in Fund Cash Balances</i>	6,366	(4,587)	0	(63)	1,716
<i>Fund Cash Balances, January 1</i>	<u>2,805</u>	<u>37,250</u>	<u>41</u>	<u>3,392</u>	<u>43,488</u>
Fund Cash Balances, December 31					
Nonspendable				3,000	3,000
Restricted		25,506	41	329	25,876
Committed		7,157			7,157
Assigned	9,171				9,171
<i>Fund Cash Balances, December 31</i>	<u>\$9,171</u>	<u>\$32,663</u>	<u>\$41</u>	<u>\$3,329</u>	<u>\$45,204</u>

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

**HOMER TOWNSHIP
MORGAN 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	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$31,887	\$29,778			\$61,665
Intergovernmental	10,466	93,168			103,634
Earnings on Investments	1,231			\$125	1,356
Miscellaneous	2,421				2,421
<i>Total Cash Receipts</i>	<u>46,005</u>	<u>122,946</u>	<u>\$0</u>	<u>125</u>	<u>169,076</u>
Cash Disbursements					
Current:					
General Government	52,702				52,702
Public Safety		15,291			15,291
Public Works		99,941			99,941
Human Services		1,453			1,453
Other		1,309			1,309
Debt Service:					
Principal Retirement		7,554			7,554
Interest and Fiscal Charges		526			526
<i>Total Cash Disbursements</i>	<u>52,702</u>	<u>126,074</u>	<u>0</u>	<u>0</u>	<u>178,776</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,697)</u>	<u>(3,128)</u>	<u>0</u>	<u>125</u>	<u>(9,700)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	105				105
<i>Total Other Financing Receipts (Disbursements)</i>	<u>105</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>105</u>
<i>Net Change in Fund Cash Balances</i>	<u>(6,592)</u>	<u>(3,128)</u>	<u>0</u>	<u>125</u>	<u>(9,595)</u>
<i>Fund Cash Balances, January 1</i>	<u>9,397</u>	<u>40,378</u>	<u>41</u>	<u>3,267</u>	<u>53,083</u>
Fund Cash Balances, December 31					
Nonspendable				3,000	3,000
Restricted		26,091	41	392	26,524
Committed		11,159			11,159
Assigned	2,805				2,805
<i>Fund Cash Balances, December 31</i>	<u>\$2,805</u>	<u>\$37,250</u>	<u>\$41</u>	<u>\$3,392</u>	<u>\$43,488</u>

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

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Homer Township, Morgan 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 Village of Chesterhill, Village of Corning, Village of Jackson, M&M Volunteer Fire Department and the Ames-Bern Amesville Volunteer Fighters, Inc., to provide fire protection and emergency medical services.

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

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provide 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

The Township has one interest-bearing checking account and one interest bearing savings account.

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 Funds:

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

HOMER TOWNSHIP
MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from trust agreements. These earnings are used for the general maintenance and upkeep of the Township's cemeteries.

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. 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 approve estimated resources.

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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.

HOMER TOWNSHIP
MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$42,204	\$40,488
Other time deposits (savings and NOW accounts)	3,000	3,000
Total deposits	\$45,204	\$43,488

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$57,517	\$57,517
Special Revenue	0	133,418	133,418
Permanent	0	70	70
Total	\$0	\$191,005	\$191,005

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,633	\$51,151	\$7,482
Special Revenue	184,560	138,005	46,555
Permanent	561	133	428
Total	\$243,754	\$189,289	\$54,465

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$46,110	\$46,110
Special Revenue	0	122,946	122,946
Permanent	0	125	125
Total	\$0	\$169,181	\$169,181

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,930	\$52,702	(\$10,772)
Special Revenue	127,602	126,074	1,528
Total	\$169,532	\$178,776	(\$9,244)

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, the Township did not prepare the Certification of Fund Balance at the beginning of the year for 2013 or 2012. Also, contrary to Ohio law, the Township's General Fund had expenditures that exceeded appropriations.

4. Property Tax

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

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

5. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township paid all contributions through December 31, 2013.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Promissory Note - Truck	\$1,352	3.95%
Total	\$1,352	

The Township issued a promissory note to finance the purchase a truck for use in Township road maintenance in 2011 in the amount of \$22,825. The note is collateralized by the truck.

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

Year ending December 31:	Promissory Note - Truck
2014	\$1,356

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$2,100.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

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>2013</u>	<u>2012</u>
\$3,831	\$3,881

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.

The Township also provides life and accidental death and dismemberment coverage to elected officials through private carriers and insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

8. Financial Adjustment Not Made

At December 31, 2013 and 2012, the following funds had adjustments which the Township declined to make in the following amounts:

Funds	12/31/2012 Balance	Proof of Cash Adjustment Not Made	Financial Adjustment Not Made	Effect on 12/31/2012 Balance
General	\$2,805	(\$912)	(\$5,531)	(\$3,638)
Special Revenue	37,250		5,531	42,781
Funds	12/31/2013 Balance	Proof of Cash Adjustment Not Made	Financial Adjustment Not Made	Effect on 12/31/2013 Balance
General	(\$3,638)		(\$4,444)	(\$8,082)
Special Revenue	42,781	(12,149)	4,444	35,076

The Township has no formal plans for making the financial statement adjustments proposed by the Auditor of State. If the Township made the significant adjustments proposed, the resulting effect would be the a negative General Fund cash balance.

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Dave Yost • Auditor of State

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

Homer Township
Morgan County
8333 Bishopville Road
Glouster, Ohio 45732

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 Homer Township, Morgan County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit. We also issued an adverse opinion on the 2013 and 2012 financial statements due to management declining to make significant adjustments.

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 opinions 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. We consider Findings 2013-001 through 2013-009 and 2013-013 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2013-010 and 2013-014 described in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-006, 2013-008 through 2013-012.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 28, 2015

HOMER TOWNSHIP
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Finding for Recovery/Material Weakness

Ohio Rev. Code § 505.24(A) and (B) set the maximum amounts of compensation for Township Trustees based on a township's annual budget amount.

The Township's annual budgets for 2012 and 2013 fell between \$100,001-\$250,000. Based on these budget amounts, Ohio Rev. Code § 505.24(A) and (B) limit the annual salary of the Trustees to \$7,332. The Township, however, did not pay the Trustees in accordance with Ohio Rev. Code. Trustees were each paid \$8,490 in 2012 and \$8,490 in 2013. As a result, each Trustee was over-compensated by \$1,158 in 2013 and 2012.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery is hereby issued for money illegally expended against Township Trustees Gregory R. Cable, James Keirns and David Coffman, and their surety company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$2,316 each. As of January 28, 2015, James Keirns and David Coffman paid \$2,316 and \$1,000, respectively, to the Township. A Finding for Recovery is hereby issued against Township Trustees, Gregory R. Cable, in the amount of \$2,316 and David Coffman, in the amount of \$1,316, and their surety company, Ohio Township Association Risk Management Authority, jointly and severally, in favor of the Gasoline Tax Fund, Special Revenue fund type, in the amount of \$2,374.50 and in favor of the Road and Bridge Fund, Special Revenue Fund, in the amount of \$1,257.50.

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 strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y 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.

Township Trustees Gregory R. Cable, David Coffman, James Keirns, and Fiscal Officer, Leslie A. Dolan signed the checks resulting in the improper payments. Fiscal Officer Leslie A. Dolan, and her bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$3,632.00 and in favor of the Gasoline Tax Fund, in the amount of \$2,374.50 and in favor of the Road and Bridge Fund, in the amount of \$1,257.50 to the extent that recovery is not obtained from Trustees, Gregory R. Cable and David Coffman.

FINDING NUMBER 2013-002

Finding for Recovery/Material Weakness

Ohio Rev. Code § 507.09(A) and (D) set the maximum amounts of compensation for a township Fiscal Officer based on a township's annual budget amount

During 2013 and 2012, the Township's annual budgets fell between \$100,001-\$250,000. Based on these budget amounts, Ohio Rev. Code § 507.09(A) and (D) limit the annual salary of the Fiscal Officer to \$9,903. The Township, however, did not pay the Fiscal Officer in accordance with Ohio Revised Code. During 2012 and 2013, Fiscal Officer Leslie Dolan was paid \$12,732.96 each year. As a result, the Fiscal Officer was over-compensated by \$2,829.96 in 2013 and in 2012.

HOMER TOWNSHIP
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-002 (Continued)

Finding for Recovery/Material Weakness (Continued)

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code § 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Leslie Dolan, and her surety company, Travelers Casualty and Surety Company of America, in the amount of \$5,659.92, in favor of the General Fund of Homer Township, Morgan County.

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 strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y 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.

Township Trustees Gregory R. Cable, David Coffman, James Keirns, and Fiscal Officer, Leslie A. Dolan signed the checks resulting in the improper payments. Township Trustees Gregory R. Cable, David Coffman, and James Keirns and, their bonding companies, Ohio Township Association Risk Management Authority, will be jointly and severally liable in the amount of \$5,659.92 and in favor of the General Fund, in the amount of \$5,659.92 to the extent that recovery is not obtained from Fiscal Officer, Leslie Dolan.

FINDING NUMBER 2013-003

Finding for Recovery/Material Weakness

Ohio Rev. Code § 505.60(D) provides if any township officer or employee is denied coverage under a health care plan under this section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee and their immediate dependents for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

The Board passed a resolution on January 1, 2013 that stated the Township would offer a group health plan and would reimburse those Officials and full-time employees with an alternate source of medical coverage that opted out of the health care plan a maximum of \$750 a month for out of pocket expenses for any health, dental and vision insurance.

During the period of January 1, 2012 through December 31, 2013, Fiscal Officer Leslie A. Dolan elected to not participate in the health care portion of the Township's group health plan due to having medical coverage elsewhere. Leslie A. Dolan was reimbursed a total of \$2,813 and \$2,668.50 during 2013 and 2012, respectively for out-of-pocket health care premiums. The Fiscal Officer provided supporting documentation of \$1,828.50 and \$2,418 for 2013 and 2012, respectively. As a result, Fiscal Officer Leslie A. Dolan was only entitled to \$1,828.50 and \$2,418 of health care premium out-of-pocket reimbursements during 2013 and 2012, respectively, instead of the \$2,813 and \$2,668.50 she was reimbursed in 2013 and 2012, respectively.

In accordance with the foregoing facts, a Finding for Recovery is hereby issued against Leslie Dolan, in the amount of \$1,235 in favor of the General Fund of Homer Township, Morgan County.

HOMER TOWNSHIP
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-003 (Continued)

Finding for Recovery/Material Weakness (Continued)

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 strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y 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.

Township Trustees Gregory R. Cable, David Coffman, James Keirns, and Fiscal Officer, Leslie A. Dolan signed the checks resulting in the improper payments. Township Trustees Gregory R. Cable, David Coffman, and James Keirns and, their bonding companies, Ohio Township Association Risk Management Authority, will be jointly and severally liable in the amount of \$1,235 and in favor of the General Fund to the extent that recovery is not obtained from Fiscal Officer Leslie Dolan.

FINDING NUMBER 2013-004

Finding for Adjustment//Material Weakness

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

During 2012, the Fiscal Officer incorrectly posted rollback and homestead monies to the General Fund in the amount of \$4,291 instead of to the Road and Bridge Fund, Special Revenue Fund type, in the amount of \$2,861 and Fire Protection Levy Fund, Special Revenue fund type, in the amount of \$1,430.

During 2013, the Fiscal Officer incorrectly posted rollback and homestead monies to the General Fund in the amount of \$775 and the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$4,312 instead of to the Road and Bridge Fund, Special Revenue Fund type, in the amount of \$3,180, Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$317 and Fire Protection Levy Fund, Special Revenue fund type, in the amount of \$1,590.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Homer Township, Morgan County General Fund in the amount of \$5,066 and the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$4,312 and in favor of the Road and Bridge Fund, Special Revenue Fund type, in the amount of \$6,041, the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$317 and the Fire Protection Levy Fund, Special Revenue Fund type, in the amount of \$3,020. The Township has not posted these adjustments to the Township records and, therefore, these adjustments are not reflected in the accompanying financial statements.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005

Finding for Adjustment/Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Rev. Code §§ 505.24 and 507.09 now require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. After the passage of H.B. 153, the Board of Trustees for 2012 and 2013 continued the practice of what was previously required under the statute - documenting their time on timesheets. Our review of the timesheets determined that the Gasoline Tax Fund was overcharged by \$1,528 in 2012 and the General Fund was undercharged \$1,528. For 2013, the Gasoline Tax Fund was overcharged by \$1,358 and the General Fund was undercharged in the amount of \$1,358.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Homer Township, Morgan County General Fund in the amount of \$1,358 and in favor of the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,358. The Township made the 2012 adjustment, in the amount of \$1,528 on December 19, 2014 to the accounting system and the financial statements. The Township has not posted the 2013 adjustment, in the amount of \$1,358.

FINDING NUMBER 2013-006

Finding for Adjustment/Material Weakness

Ohio Rev. Code § 5705.10(H) states that money paid into a fund must be used for the purposes for which such fund has been established.

During our testing in 2012, we noted the Township paid the following invoices from incorrect funds: the worker's compensation premium was paid entirely from the Gasoline Tax Fund, in the amount of \$1,346. We feel at least a minimum of 10% of this invoice should have been paid from the Township's General Fund. In addition, the Township paid for stone/gravel, in the amount of \$4,123, from the Fire Levy Fund instead of the Road and Bridge Fund. Also, the Township paid the Fiscal Officer's health care reimbursement, in the amount of \$1,105, from the Gasoline Tax Fund, instead of the General Fund.

During our testing in 2013, we noted the Township paid the following invoices from incorrect funds: the liability insurance premium was paid entirely from the Gasoline Tax Fund, in the amount of \$3,831. We feel at least a minimum of 10% of this invoice should have been paid from the Township's General Fund. In addition, the Township paid for stone/gravel, in the amount of \$1,698, from the Fire Levy Fund instead of the Road and Bridge Fund. Also, the Township paid the Fiscal Officer's health care reimbursement, in the amount of \$1,928, from the Gasoline Tax Fund, instead of the General Fund.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Homer Township, Morgan County General Fund in the amount of \$3,551 and the Road and Bridge Fund, Special Revenue Fund type, in the amount of \$5,821 and in favor of the Fire Protection Levy Fund, Special Revenue Fund type, in the amount of \$5,821 and the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$3,551. The Township has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-007

Finding for Adjustment/Material Weakness

The Fiscal Officer prepares monthly bank reconciliations to reconcile the Township’s Uniform Accounting Network (UAN) financial accounting system to the bank account.

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances for the audit period. Monthly bank reconciliations contained “other adjusting factors” throughout the entire audit period which were carried forward instead of being investigated and corrected. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit.

The reconciling items each month could not be substantiated to any audit evidence. Therefore, the Auditor of State performed a proof-of-cash analysis for the audit period. At the beginning of the audit period and at the end of the prior audit, the Township had an unexplained “other adjusting factor” of \$2,154. During the proof-of-cash analysis for 2013 and 2012, we were able to identify posting errors, such as receipts posted to system but not deposited, electronic payments for payroll/pension withholdings posted at amounts different than cleared bank, manual checks that cleared bank but not booked, expenditure posted at amounts different than amounts that cleared bank, and outstanding checks that were not valid. At December 31, 2013, we still had an unexplained “other adjusting factor” of \$2,154, in which the bank balance was higher than the book balance. This variance occurred at some point in the prior audit. The Township has not posted any of the proof-of-cash adjustments to the accounting system or financial statements.

The table below reflects proof-of-cash adjustments required each year to allow the Township’s accounting system to reconcile to the bank and only be off by the “other adjusting factor” that existed in the prior audit, in the amount of \$2,154:

Fund	12/31/12013 Balance	2012 Adjustments	2013 Adjustments	Adj 12/31/13 Balance
General	\$16,071.50	(\$911.72)	(\$5,372.25)	\$9,787.53
<u>Special Revenue</u>				
Gas Tax	\$14,322.58	0.00	(12,148.57)	\$2,174.01
Road & Bridge	\$7,156.88		(2,381.21)	\$4,775.67
Total SR	<u>\$21,479.46</u>	<u>\$0.00</u>	<u>(\$14,529.78)</u>	<u>\$6,949.68</u>

We recommend the Township, as part of the monthly cash reconciliation process, investigate the unidentified reconciling items timely and make the necessary adjustments to the books. Also, the monthly bank reconciliation should be approved by a Board Member at each monthly meeting. The Township made the 2013 adjustments for the General Fund, in the amount of (\$5,372.25) and Road & Bridge Fund, in the amount of (\$2,381.21) to the accounting system and financial statements on December 19, 2014.

HOMER TOWNSHIP
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-008

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

During 2013, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- Real Estate tax settlement receipts were posted in net instead of at gross. As a result, receipts and expenditures were understated in the General Fund by \$4,459;
- Real Estate tax monies for the second half of the year were posted to intergovernmental instead of taxes in the Road and Bridge Fund in the amount of \$14,809;
- Real Estate tax monies for the second half of the year were posted to intergovernmental instead of taxes in the Fire Protection Fund in the amount of \$8,210.

During 2012, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- Real Estate tax settlement receipts were posted in net instead of at gross. As a result, receipts and expenditures were understated in the General Fund by \$9,244.

These reclassification errors were due to a lack of management oversight. These significant reclassifications have been made to the financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

FINDING NUMBER 2013-009

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.36 states on or about the first day of each fiscal year, the fiscal officer is to prepare and present to the commission for approval the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Ohio Rev. Code § 5705.39 states, in part, the total appropriations from each fund should not exceed the total estimated revenue

Ohio Rev. Code § 5705.38(C) requires the following minimum level of budgetary control for "subdivisions" other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services."

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-009 (Continued)

Noncompliance/Material Weakness – Ohio Rev. Code § 5705.36 (Continued)

Ohio Rev. Code § 5705.40, states, any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.

The Township failed to submit the Total Amount From All Sources Available for Expenditures form to the County Budget Commission at the beginning of the year for 2013 and 2012. Therefore, the County Budget Commission never certified the Official Amended Certificate of Estimated Resources, which is the basis for the Appropriation measure. The Township passed appropriations at the fund level in 2012 and 2013 rather than at the fund, function, object level, which is the legal level of control for a township. Also, the Fiscal Officer made supplemental appropriations with board approval.

As of December 31, 2013, the following funds had appropriations exceeding estimated resources as follows:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$0	\$58,633	(\$58,633)
Motor Vehicle License	0	18,103	(18,103)
Gasoline Tax	0	111,023	(111,023)
Road and Bridge	0	42,359	(42,359)
Fire Special Levy	0	13,075	(13,075)
Permanent Fund Bequest	0	561	(561)

As of December 31, 2012, the following funds had appropriations exceeding estimated resources as follows:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$0	\$66,150	(\$66,150)
Motor Vehicle License	0	17,000	(17,000)
Gasoline Tax	0	93,500	(93,500)
Road and Bridge	0	30,550	(30,550)
Fire Special Levy	0	18,250	(18,250)
Permanent Fund Bequest	0	429	(429)

We recommend the Fiscal Officer refer to Appendix II of the Township handbook in regards to the guidelines established for preparing budgets for a Township. In addition, the Township should prepare the Certification of Fund Balances at the beginning of the year and submit to the County Budget Commission.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-010

Noncompliance/Significant Deficiency

Ohio Rev. Code § 149.351 prohibits the destruction or damage of public records. It states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under §§ 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

During the audit period of January 1, 2012 through December 31, 2013, we noted the Township voided approximately seventy checks. We noted six of these were issued as manual checks and cleared the bank, and two were issued with different numbers and cleared the bank. These were verified in our performance of a proof of cash for 2012 and 2013. Out of the remaining checks that were voided, none of them were maintained for audit. We also noted six checks in 2013 and fifteen checks written in 2012 that did not have invoices as a part of the voucher packet in addition to ten checks written in 2013 that did not have invoices or warrant stubs included in the monthly folders.

Failure to maintain invoices to support payments and carefully safeguard all voided checks or properly remove the signature line from the voided checks could allow these checks to be used fraudulently and result in a loss to the township.

We recommend the Fiscal Officer maintain all voided checks for auditing purposes. In addition, we recommend the Fiscal Officer remove the signature line from the voided check to prevent any fraudulent behavior from occurring.

FINDING NUMBER 2013-011

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering 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.

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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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 receipt of the "then and now" certificate to approve payment by ordinance or resolution.

HOMER TOWNSHIP
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-011 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)

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 Certificates - Fiscal officers may prepare so-called “blanket” certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitment for 15% of the expenditures tested in 2013 and 8% tested in 2012. In addition, the Fiscal Officer used super blanket certificates for 38% of the expenditures tested in 2013 and 38% of the expenditures tested in 2012 for items that were not considered re-occurring or reasonably predictable. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is 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, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Fiscal Officer certify purchases to which § 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. In addition, we recommend the Township follow § 5705.41(D) in regards to using blanket certificates.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-012

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. § 133.22 allows a subdivision to issue anticipatory securities, § 133.10 allows anticipation securities in anticipation of current property tax revenues, § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2011, the Township signed promissory notes with a local bank to purchase a truck. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Township contact their legal counsel before incurring future debt.

FINDING NUMBER 2013-013

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system, This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2013, appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the following funds:

Fund	Appropriations per Township's Accounting System	Appropriations per Board of Trustees	Variance
General	\$58,300	\$58,633	(\$333)
Motor Vehicle License Tax	10,000	18,103	(8,103)
Gasoline Tax	105,247	111,023	(5,776)
Road and Bridge	31,200	43,359	(11,159)
Fire District	11,300	13,075	(1,775)
Permissive Motor Vehicle License Tax	169	561	(392)

At December 31, 2012, appropriations in the Township's General Fund had \$1,000 more than the amount approved by the Board of Trustees. This occurred because the Township did not have supplemental appropriations approved by the Board of Trustees in 2012 and 2013.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-013 (Continued)

Material Weakness (Continued)

At December 31, 2013, estimated receipts in the Township's ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

Fund	Estimated Receipts approved by the Budget Commission	Estimated Receipts per Township's Accounting System	Variance
General	\$0	\$54,198	(\$54,198)
Motor Vehicle License Tax	0	10,000	(10,000)
Gasoline Tax	0	91,800	(91,800)
Road and Bridge	0	22,200	(22,200)
Fire District	0	11,300	(11,300)
Permanent	0	169	(169)

At December 31, 2012, estimated receipts in the Township's ledgers did not agree to the amounts certified by the Budget Commission for the following funds:

Fund	Estimated Receipts approved by the Budget Commission	Estimated Receipts per Township's Accounting System	Variance
General	\$0	\$58,550	(\$58,550)
Motor Vehicle License Tax	0	11,800	(11,800)
Gasoline Tax	0	86,000	(86,000)
Road and Bridge	0	20,400	(20,400)
Fire District	0	11,500	(11,500)

This occurred because the Township did not prepare a Certificate of Year End Balances and submit to the County Budget Commission in 2013 or 2012. Therefore, in 2013 and 2012, the Township never received a Certificate of Estimated Resources from the County Budget Commission in order to pass their permanent appropriation measure.

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Trustees and estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

HOMER TOWNSHIP
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-014

Significant Deficiency

Townships using the UAN should allow the system to process all warrants which would include voided checks. If on occasion it is necessary to write a manual check, the Fiscal Officer should take due care in posting the warrant to the system.

We noted eleven manual checks were written in 2013. Ten of these checks were issued to pay the officials for their January salary and for reimbursement of January insurance premiums. Although most of these checks were entered into the UAN system properly we noted check #'s 3463, 3464, 3466 and 3561 were recorded under different check numbers. Additionally, we noted check # 3239 was written on July 11, 2011 but was not recorded in the system until September 30, 2011 resulting in adjusting factors on the July and August monthly bank reconciliations

Not recording manual checks and recording checks in the UAN system with different check numbers could cause confusion among which checks cleared the bank and make the reconciliation process cumbersome

We recommend the Township not issue manual checks, and, if on occasion it is necessary, they be entered into the UAN system correctly.

Officials' Response: Management declined to respond to any of the aforementioned Findings.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code § 5705.39: Appropriations exceeded Estimated Resources in the General and Gasoline tax fund in 2011 and in the General, Gasoline tax and Fire Funds in 2010.	No	Not Corrected; Repeated as Finding 2013-009.
2011-002	Posting of Debt payments entirely to principal payments instead of breaking down between principal and interest payments in 2010 and 2011.	No	Not Corrected; Repeated in Management Letter
2011-003	Appropriations that were approved by the Township's legislative body did not agree to those posted to the Township's UAN system in 2010 and 2011.	No	Not Corrected; Repeated as Finding 2013-013

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Dave Yost • Auditor of State

HOMER TOWNSHIP

MORGAN 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
FEBRUARY 10, 2015**