



Dave Yost • Auditor of State

RARDEN TOWNSHIP
SCIOTO COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Rarden Township
Scioto County
822 Dry Fork Road
Rarden, Ohio 45671

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Rarden Township, Scioto County, (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 Section 117.38 and Ohio Administrative Code Section 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 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these 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.

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 Rarden Township, Scioto County, 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 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 22, 2015

**RARDEN TOWNSHIP
SCIOTO 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$18,830	\$108,591	\$127,421
Intergovernmental	38,620	114,780	153,400
Earnings on Investments	1,011		1,011
Miscellaneous	25	400	425
<i>Total Cash Receipts</i>	<u>58,486</u>	<u>223,771</u>	<u>282,257</u>
Cash Disbursements			
Current:			
General Government	47,111	26,736	73,847
Public Safety		104,886	104,886
Public Works	3,314	38,397	41,711
Health		15,889	15,889
Debt Service:			
Principal Retirement		9,214	9,214
Interest and Fiscal Charges		1,828	1,828
<i>Total Cash Disbursements</i>	<u>50,425</u>	<u>196,950</u>	<u>247,375</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,061</u>	<u>26,821</u>	<u>34,882</u>
<i>Net Change in Fund Cash Balances</i>	8,061	26,821	34,882
<i>Fund Cash Balances, January 1</i>	<u>14,508</u>	<u>120,063</u>	<u>134,571</u>
Fund Cash Balances, December 31			
Restricted	0	146,884	146,884
Unassigned	<u>22,569</u>	<u>0</u>	<u>22,569</u>
<i>Fund Cash Balances, December 31</i>	<u>\$22,569</u>	<u>\$146,884</u>	<u>\$169,453</u>

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

**RARDEN TOWNSHIP
SCIOTO 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$19,761	\$108,594	\$128,355
Intergovernmental	46,748	127,091	173,839
Earnings on Investments	984		984
Donations	12,329		12,329
Miscellaneous	29	1,577	1,606
<i>Total Cash Receipts</i>	<u>79,851</u>	<u>237,262</u>	<u>317,113</u>
Cash Disbursements			
Current:			
General Government	35,313	19,569	54,882
Public Safety		70,671	70,671
Public Works	456	108,095	108,551
Health		19,332	19,332
Conservation-Recreation	2,717		2,717
Capital Outlay	22,720	15,000	37,720
Debt Service:			
Principal Retirement		7,134	7,134
Interest and Fiscal Charges		1,884	1,884
<i>Total Cash Disbursements</i>	<u>61,206</u>	<u>241,685</u>	<u>302,891</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,645</u>	<u>(4,423)</u>	<u>14,222</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds		15,000	15,000
Transfers In		14,021	14,021
Transfers Out		(14,021)	(14,021)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>15,000</u>	<u>15,000</u>
<i>Net Change in Fund Cash Balances</i>	18,645	10,577	29,222
<i>Fund Cash Balances, January 1</i>	<u>(4,137)</u>	<u>109,486</u>	<u>105,349</u>
Fund Cash Balances, December 31			
Restricted	0	120,063	120,063
Assigned	14,508	0	14,508
<i>Fund Cash Balances, December 31</i>	<u>\$14,508</u>	<u>\$120,063</u>	<u>\$134,571</u>

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

**RARDEN TOWNSHIP
SCIOTO 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 Rarden Township, Scioto County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Rarden to provide fire and ambulance services.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. 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:

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

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

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

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

E. 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.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

F. 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.

2. Equity in Pooled Deposits

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$169,453	\$134,571

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

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	\$24,267	\$58,486	\$34,219
Special Revenue	246,543	223,771	(22,772)
Total	\$270,810	\$282,257	\$11,447

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,246	\$50,425	\$13,821
Special Revenue	329,563	196,950	132,613
Total	\$393,809	\$247,375	\$146,434

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,641	\$79,851	\$21,210
Special Revenue	314,605	266,283	(48,322)
Total	\$373,246	\$346,134	(\$27,112)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,328	\$61,206	(\$52,878)
Special Revenue	342,851	270,723	72,128
Total	\$351,179	\$331,929	\$19,250

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$52,878, in the Cemetery Fund by \$10,359, Fire Fund by \$8,607 and in the FEMA Fund by \$14,021 for the year ended December 31, 2012. Also, for the year ended December 31, 2013, the Fire Fund exceeded by \$1,695 and the Ambulance Fund exceeded by \$1,360.

In addition to this, Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. As of December 31, 2012, appropriations exceeded estimated resources in the Gasoline fund by \$24,584.

Lastly, Ohio Rev. Code Section 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 Township did not properly certify 63% of disbursements.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Truck Note	\$12,324	7%
Grader Note	11,404	5.8%
Total	\$23,728	

The Township issued notes to finance the purchase of a truck and grader for Township road maintenance. The Township's taxing authority collateralized the notes.

On August 1, 2012 the Township issued a Promissory Note to purchase a grader. The original note was issued for \$15,000. This debt is paid in equal monthly payments and will be paid off on August 2, 2017.

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

Year ending December 31:	Truck Note	Grader Note
2014	\$7,861	\$3,470
2015	5,242	3,470
2016		3,470
2017		2,272
Total	\$13,103	\$12,682

6. Retirement System

The Township 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 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 has paid all contributions required through December 31, 2013.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

8. Subsequent Events

On June 2, 2014, the Board approved to purchase property from the Ohio Department of Natural Resources in the amount of \$40,000. The purchase was set up to put \$10,000 down and the balance of \$30,000 to be paid starting in 2015 at \$5,000 each year until paid.

On September 1, 2014, the Board approved to accept a grant in the amount of \$89,300 for road paving and this grant had a matching requirement of 10% or \$8,930.



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

Rarden Township
Scioto County
822 Dry Fork Road
Rarden, Ohio 45671

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 the Rarden Township, Scioto County, (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 22, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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 Finding 2013-001 described in the accompanying Schedule of Findings to be a material weakness.

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 2013-004.

Entity's Response to Findings

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

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 22, 2015

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code, § 733.28, requires the Township Fiscal Officer to maintain the books of the Township and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code § 117-2-02(A) requires public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code § 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Township lacked management controls to maintain an accounting system and accounting records sufficient to enable the Township to identify, assemble, analyze, classify, record and report its transactions and prepare financial statements as evidenced by the following conditions:

Inaccurate Reconciliations:

The Township utilizes the UAN accounting system which includes a monthly reconciliation process to assist the Township Fiscal Officer in the monthly book to bank reconciliation. Although the monthly reconciliations were included in the accounting records, reconciliations were not accurate. The following conditions were identified in the December 31, 2013 year end reconciliation:

- The bank balance reconciliation included deposits in transit in the amount of \$44,647
- The accounting system balance reconciliation included other adjusting factors in the amount of \$48,166 which were identified as receipts not in the accounting system.

Proof of cash procedures were performed to identify the deposits in transit and other adjusting factors.

The following items were identified as a result of these procedures:

FINDING NUMBER 2013-001
(Continued)

- Outstanding deposit amount was determined to be \$12.
- Outstanding checks in the amount of \$2,880 were identified which were not included on the Township's reconciliation from the UAN accounting system and included items which were older than six months.
- Duplicate debt payment postings totaling \$578 were identified.
- Interest receipt in the amount of \$73 was not posted.
- The accounting system deposits in transit amount of \$44,647 and the other adjusting factors amount of \$48,166 identified as receipts not in the accounting system were determined to be inaccurate.

As a result of these types of errors, the financial statements provided to the Board of Township Trustees were not accurate.

We recommend the Township Fiscal Officer prepare the monthly book-to-bank reconciliation in a timely manner. We also recommend the Township Fiscal Officer immediately follow-up on any discrepancies noted in the reconciliation process. This will allow the Township to maintain accurate records which the Board of Township Trustees can rely on for budgeting and planning purposes. Further, we recommend the Township Fiscal Officer maintain accurate listings of outstanding checks and deposits and to follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the Township for outstanding deposits, outstanding deposits are properly supported, and outstanding checks are voided and paid into an unclaimed monies fund or reissued..

Inaccurate Accounting Records and Financial Statements

December 31, 2012 financial statements had the following errors that required audit adjustment or reclassification:

- Property Tax and related receipts were posted in net amounts instead of gross amounts which resulted in receipts and disbursements being understated. We identified the following understatement: General Fund - \$7,199;
- Homestead and Rollback and other Intergovernmental receipts were incorrectly posted as Taxes in the General Fund in the amount of \$3,401, in the Cemetery in the amount of \$3,224, in the Road and Bridge Fund in the amount of \$5,941, in the Fire Fund in the amount of \$5,859 and in the Ambulance Fund in the amount of \$5,152;
- Donations were incorrectly posted as Miscellaneous receipts in the General Fund in the amount of \$12,329;
- Capital Outlay disbursements were incorrectly posted as Public Works in the General Fund in the amount of \$22,720;

FINDING NUMBER 2013-001
(Continued)

- General Government Disbursements were underreported in the General Fund by \$7,227. Public Works disbursements were over reported by \$15,338 in the Gasoline Tax Fund and \$598 in the Motor Vehicle License Fund. Public Works disbursements were under reported by \$295 in the Road and Bridge Fund and \$8,415 in the Cemetery Fund. These errors were associated with employee's withholdings being posted to incorrect funds.
- To Adjust for FEMA receipts which were posted to Gasoline Tax fund via a receipt reallocation, the Gasoline Tax Fund Transfers In was increased \$14,021 and Intergovernmental receipts decreased \$14,021. Also, the FEMA fund Intergovernmental receipts were increased by \$14,021 and transfers out was increased by \$14,021.
- Intergovernmental receipts were incorrectly posted as Tax and Miscellaneous receipts in the Motor Vehicle License Fund in the amount of \$7,809.
- Public Works disbursements were incorrectly posted as General Government in the Gasoline Fund in the amount of \$26,406.
- Debt proceeds and related Capital Outlay disbursements in the amount of \$15,000 were unrecorded in the Gasoline Tax Fund.
- Debt payments were posted as General Government disbursements in the amount of \$7,708 and Public Works Expense in the amount of \$1,310 rather than Principal of \$7,134 and Interest of \$1,884 in the Gasoline Fund.

December 31, 2013 financial statements had the following errors that required audit adjustment or reclassification:

- Local Government receipts were posted to the Motor Vehicle License Fund in the amount of \$94. This caused the General Fund's intergovernmental receipts to be understated by this amount and the Motor Vehicle License Fund to be overstated by this amount.
- Property Tax and related receipts were posted in net amounts instead of gross amounts which resulted in receipts and disbursements being understated. We identified the following understatement: General Fund - \$6,814. In addition to this, there was also an Estate Tax receipt that was posted at net instead of gross. This resulted in a General Fund understatement of \$405.
- Homestead and Rollback and other Intergovernmental receipts were incorrectly posted as Taxes in the General Fund in the amount of \$3,339 and \$469, in the Cemetery in the amount of \$3,165, in the Road and Bridge Fund in the amount of \$5,850, in the Fire Fund in the amount of \$5,771 and the Ambulance Fund in the amount of \$5,075.
- Homestead and Rollback was posted entirely to General Fund for one receipt This caused the General Fund's intergovernmental receipts to be overstated by \$1,148 and the following special revenue funds to be understated as follows ; Road and Bridget Fund - \$322, Cemetery Fund - \$172, Fire Fund - \$354, and Ambulance Fund - \$301.
- A BWC refund was improperly posted to the General Fund instead of the Gasoline Tax Fund. This resulted in an overstatement in the General Fund of \$613 and an understatement in the Gasoline Tax Fund of \$613.

**FINDING NUMBER 2013-001
 (Continued)**

- General Government Disbursements were underreported in the General Fund by \$9,574. Public Works disbursements were over reported by \$19,124 in the Gasoline Tax Fund and \$224 in the Motor Vehicle License Fund. Public Works disbursements were under reported by \$2,062 in the Road and Bridge Fund and \$7,712 in the Cemetery Fund. These errors were associated with employee's withholdings being posted to incorrect funds.
- Intergovernmental receipts were incorrectly posted as Tax receipts in the Motor Vehicle License Fund in the amount of \$7,818.
- Debt payments were posted as General Government Disbursements in the amount of \$10,753 and Public Works Disbursements in the amount of \$578 and Health in the amount of \$289 rather than Principal of \$9,681 and Interest of \$1,939 in the Gasoline Fund.
- Public Works disbursements were incorrectly posted as Health in the Gasoline Tax Fund in the amount of \$4,000.
- Public Safety disbursements were incorrectly posted as Public Works in the Fire Fund in the amount of \$34,819.

The Township Fiscal Officer did not follow the UAN established account codes for all postings. This resulted in audit adjustments and reclassifications to the financial statements as noted above. The Township has corrected the financial statements and accounting records as appropriate.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Board of Township Trustees should adopt policies and procedures, including a final review of the statements and footnotes by the Township Fiscal Officer and Board of Township Trustees to identify and correct errors or omissions.

Officials' Response:

Property tax, homestead and rollback will be posted in gross amounts to ensure proper reporting of revenues. Financial statement and bank reconciliations will be done in a timely manner. Township Fiscal Officer will monitor the posting of donations and capital outlay expenditures to ensure proper posting. Also, Township Board of Trustees has adopted a policy for procedures.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code, § 5705.39, provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded Estimated Resources in the following funds at December 31, 2012:

Fund	Appropriations	Estimated Resources	Variance
Motor Vehicle License Fund	\$ 15,486	\$ 12,328	\$ 3,158
Gasoline Fund	195,110	170,526	24,584
Ambulance Fund	38,118	32,650	5,468

**FINDING NUMBER 2013-002
(Continued)**

This could result in spending greater than available resources resulting in deficit fund balances.

We recommend the Township Fiscal Officer monitor estimated resources and appropriations to ensure appropriations do not exceed estimated resources. If necessary, reduced appropriations should be approved by the Board of Township Trustees.

Officials' Response:

Township Fiscal Officer will check appropriations to make sure they do not exceed the estimated resources.

FINDING NUMBER 2013-003

Noncompliance Citation

Ohio Rev. Code, § 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2012 in the following funds:

Fund	Appropriations	Expenditures	Variance
General	\$ 8,328	\$ 61,206	\$ (52,878)
Cemetery	26,013	36,372	(10,359)
Fire	29,414	38,021	(8,607)
FEMA	0	14,021	(14,021)

Expenditures exceeded appropriations at December 31, 2013 in the following funds:

Fund	Appropriations	Expenditures	Variance
Fire	\$ 36,008	\$ 37,703	\$ (1,695)
Ambulance	31,004	32,364	(1,360)

This could result in funds making expenditures that exceed available resources.

We recommend the Board of Township Trustees monitor spending to ensure expenditures do not exceed appropriations.

Officials' Response:

Board of Township Trustees will receive a copy of the expenses and revenues for each fund monthly.

FINDING NUMBER 2013-004

Noncompliance Citation

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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

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

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

The Township did not properly encumber 63% of disbursements tested. Failure to certify the availability of funds properly can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Township Fiscal Officer certify that 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, and approved by resolution of the Board of Township Trustees, where applicable.

**FINDING NUMBER 2013-004
(Continued)**

We recommend the Township officials and employees obtain the Township Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

Then and Now Certificates will be used to state funds are available. Also, super blanket certificates will be made for an amount specified in appropriation. Lastly, blanket certificates will be used for amounts made by resolution.

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**RARDEN TOWNSHIP
SCIOTO 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>
2011-01	Ohio Rev. Code Section 505.24(C) – Trustee Compensation	Yes	
2011-02	Ohio Rev. Code Section 5705.10(H) – Negative Fund Balances	Yes	
2011-03	Ohio Rev. Code Section 5705.36(A)(4) – Appropriations exceed Actual Revenues	No	Partially corrected – Reissued in Management Letter.
2011-04	Ohio Rev. Code Section 5705.39- Appropriations exceed Estimated Resources	No	Not Corrected - Reissued in the accompanying Schedule of Findings as Finding Number 2013-002
2011-05	Ohio Rev. Code Section 5705.41(B)- Expenditures in excess of Appropriations	No	Not Corrected - Reissued in the accompanying Schedule of Findings as Finding Number 2013-003
2011-06	Ohio Rev. Code Section 5705.41(D)(1) – Proper Encumbering	No	Not Corrected - Reissued in the accompanying Schedule of Findings as Finding Number 2013-004
2011-07	Sound Financial Reporting	No	Not Corrected - Reissued in the accompanying Schedule of Findings as Finding Number 2013-001

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Dave Yost • Auditor of State

RARDEN TOWNSHIP

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2015**