



Mary Taylor, CPA  
Auditor of State



ROSS TOWNSHIP  
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

Ross Township  
Butler County  
3133 Hamilton-Cleves Road  
Hamilton, Ohio 45013

To the Board of Trustees:

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 28, 2008

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Ross Township  
Butler County  
3133 Hamilton-Cleves Road  
Hamilton, Ohio 45013

To the Board of Trustees:

We have audited the accompanying financial statements of Ross Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Ross Township, Butler County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 28, 2008



**ROSS TOWNSHIP  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$148,415	\$808,930	\$123,440	\$0	\$1,080,785
Charges for Services		144,003			144,003
Licenses, Permits, and Fees	22,807	309			23,116
Fines and Forfeitures	11,803	2,707			14,510
Intergovernmental	582,515	278,240			860,755
Earnings on Investments	181,204	8,167		262	189,633
Miscellaneous	61,629	17,140			78,769
Total Cash Receipts	<u>1,008,373</u>	<u>1,259,496</u>	<u>123,440</u>	<u>262</u>	<u>2,391,571</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	441,264				441,264
Public Safety	18,325	824,007		1,160	843,492
Public Works	2,624	485,751			488,375
Health	3,646				3,646
Capital Outlay		82,939			82,939
Debt Service:					
Redemption of Principal			77,500	42,500	120,000
Interest and Other Fiscal Charges			45,940	3,737	49,677
Total Cash Disbursements	<u>465,859</u>	<u>1,392,697</u>	<u>123,440</u>	<u>47,397</u>	<u>2,029,393</u>
Total Receipts Over/(Under) Disbursements	<u>542,514</u>	<u>(133,201)</u>	<u>0</u>	<u>(47,135)</u>	<u>362,178</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Fixed Assets	4,838				4,838
Transfers-In		140,098			140,098
Transfers-Out	(140,098)				(140,098)
Advances-In	50,000	154,862			204,862
Advances-Out	(154,862)	(50,000)			(204,862)
Total Other Financing Receipts / (Disbursements)	<u>(240,122)</u>	<u>244,960</u>	<u>0</u>	<u>0</u>	<u>4,838</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	302,392	111,759	0	(47,135)	367,016
Fund Cash Balances, January 1	<u>2,743,056</u>	<u>706,759</u>	<u>35,000</u>	<u>47,135</u>	<u>3,531,950</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$3,045,448</u></b>	<b><u>\$818,518</u></b>	<b><u>\$35,000</u></b>	<b><u>\$0</u></b>	<b><u>\$3,898,966</u></b>
Reserve for Encumbrances, December 31	<u>\$2,943</u>	<u>\$117,522</u>	<u>\$0</u>	<u>\$0</u>	<u>\$120,465</u>

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

**ROSS TOWNSHIP  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$139,164	\$801,849	\$0	\$0	\$941,013
Charges for Services		120,167			120,167
Licenses, Permits, and Fees	21,084	221			21,305
Fines and Forfeitures	10,823	1,344			12,167
Intergovernmental	274,048	219,030			493,078
Earnings on Investments	158,408	12,502		5,259	176,169
Miscellaneous	3,665	60,454			64,119
Total Cash Receipts	<u>607,192</u>	<u>1,215,567</u>	<u>0</u>	<u>5,259</u>	<u>1,828,018</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	386,470				386,470
Public Safety	14,332	597,813		518,574	1,130,719
Public Works	6,679	528,383			535,062
Health	3,899				3,899
Capital Outlay		160,224			160,224
Debt Service:					
Redemption of Principal			115,000		115,000
Interest and Other Fiscal Charges			51,478		51,478
Total Cash Disbursements	<u>411,380</u>	<u>1,286,420</u>	<u>166,478</u>	<u>518,574</u>	<u>2,382,852</u>
Total Receipts Over/(Under) Disbursements	<u>195,812</u>	<u>(70,853)</u>	<u>(166,478)</u>	<u>(513,315)</u>	<u>(554,834)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Fixed Assets	49,000				49,000
Transfers-In		30,000	166,478		196,478
Transfers-Out	(196,478)				(196,478)
Advances-In	10,000				10,000
Advances-Out		(10,000)			(10,000)
Total Other Financing Receipts / (Disbursements)	<u>(137,478)</u>	<u>20,000</u>	<u>166,478</u>	<u>0</u>	<u>49,000</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	58,334	(50,853)	0	(513,315)	(505,834)
Fund Cash Balances, January 1	<u>2,684,722</u>	<u>757,612</u>	<u>35,000</u>	<u>560,450</u>	<u>4,037,784</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,743,056</u></b>	<b><u>\$706,759</u></b>	<b><u>\$35,000</u></b>	<b><u>\$47,135</u></b>	<b><u>\$3,531,950</u></b>
Reserve for Encumbrances, December 31	<u>\$5,099</u>	<u>\$137,341</u>	<u>\$0</u>	<u>\$1,160</u>	<u>\$143,600</u>

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

**ROSS TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Ross Township, Butler County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection, emergency medical services, and police services.

The Township participates in the OTARMA public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Deposits**

Certificates of deposit are valued at cost. Money market mutual funds are recorded at share values the mutual funds report.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and deposits that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

Police District Fund - This fund receives property tax and intergovernmental revenue for the operation of the Township Police Department.

**ROSS TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Special Levy - Fire Fund - This fund receives property tax and intergovernmental revenue for the operation of the Township Fire Department.

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

OTA Lease Fund - This fund is used to account for debt service requirements for the Ohio Township Association lease-purchase agreement.

Millville Equipment Purchase Fund - This fund is used to account for the purchase of equipment from the Village of Millville.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Bond – Millville Fire Station Fund - This fund is used to account for the proceeds from the Certificates of Participation (see Note 5) and the related construction costs for the Millville Fire Station building.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**ROSS TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Cash and Deposits**

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

	2007	2006
Demand deposits	\$3,898,966	\$3,246,374
Certificate of deposit		250,000
Fidelity Treasury Money Market		35,576
Total deposits	\$3,898,966	\$3,531,950

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$549,006	\$1,013,211	\$464,205
Special Revenue	1,399,957	1,399,594	(363)
Debt Service	123,440	123,440	0
Capital Projects	262	262	0
Total	\$2,072,665	\$2,536,507	\$463,842

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,292,178	\$608,900	\$2,683,278
Special Revenue	2,106,599	1,510,219	596,380
Debt Service	158,440	123,440	35,000
Capital Projects	47,397	47,397	0
Total	\$5,604,614	\$2,289,956	\$3,314,658

**ROSS TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$452,129	\$656,192	\$204,063
Special Revenue	1,042,450	1,245,567	203,117
Debt Service	166,478	166,478	0
Capital Projects	0	5,259	5,259
Total	\$1,661,057	\$2,073,496	\$412,439

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,147,641	\$612,957	\$2,534,684
Special Revenue	1,789,271	1,423,761	365,510
Debt Service	201,478	166,478	35,000
Capital Projects	563,152	519,734	43,418
Total	\$5,701,542	\$2,722,930	\$2,978,612

**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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Debt**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Township Association Lease Purchase Agreement	\$1,255,000	2.65%
Millville Fire Equipment	70,000	0.00%
	\$1,325,000	

**ROSS TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. Debt (Continued)**

On November 1, 2004 the Township entered into a financing agreement with the Ohio Township Association (OTA) for the construction of its Fire Station. Under the financing agreement, the Township is obligated to make payments to Ohio Township Association Leasing through 2019 in amounts required to retire \$1.5 million in Certificates of Participation issued by the Bank of New York. These Certificates of Participation mature through 2019 and carry interest rates ranging from 2.10% to 4.3%.

On September 1, 2004 the Township entered into an agreement with the Village of Millville to purchase the Village's fire trucks and equipment. Under the agreement, the Township is obligated to make annual payments to the Village of Millville through January 2009 to pay the \$175,000 purchase price in full. This agreement does not carry any interest.

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

Year ending December 31:	Fire Station	Fire Equipment
2008	\$133,675	\$35,000
2009	136,423	35,000
2010	133,498	
2011	135,572	
2012	132,152	
2013 – 2017	678,540	
2018 – 2019	268,840	
Total	<u>\$1,618,700</u>	<u>\$70,000</u>

Note: The above fire station lease payments also include administrative fees. The above fire equipment purchase does not carry any interest.

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, the OP&F participant contributed 10% of his wages. For 2007 and 2006, the Township contributed to OP&F an amount equal to 24% of the OP&F participant's wages. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. For 2007 and 2006, the OPERS – Law Enforcement member contributed 10.1% of his gross salary and the Township contributed an amount equaling 17.17 and 16.93%, respectively, of the participant's gross salary. The Township has paid all contributions required through December 31, 2007.

**ROSS TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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



**ROSS TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$35,000 payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<b><u>Contributions to OTARMA</u></b>	
2005	\$ 42,535
2006	\$ 46,928
2007	\$ 37,518

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

Ross Township  
Butler County  
3133 Hamilton-Cleves Road  
Hamilton, Ohio 45013

To the Board of Trustees:

We have audited the financial statements of Ross Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 28, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-003.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-003 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 28, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 28, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

August 28, 2008

**ROSS TOWNSHIP  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Significant Deficiency**

Statement of Auditing Standards No. 70 (SAS 70) as amended by SAS No. 89, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 should provide the Township with an appropriate level of assurance that ambulance service billing is being processed in conformance with the contract. The Township delegated the ambulance service billing processing, which is a significant accounting function, to a third-party administrator, Medicount Management. The Township did not establish procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that ambulance service billing has not been completely and accurately processed in accordance with the service contract.

We reviewed the SAS 70 audit report for Medicount Management. The report was a Tier II, unqualified report on the design and operating effectiveness of controls. The report states that the Township should establish controls to ensure that information provided to Medicount is accurate, complete, properly authorized, and received on a timely basis. The Township receives monthly EMS billing reports from Medicount Management. However, there is no documentation of supervisory review of these monthly reports.

We recommend the Township implement procedures to reasonably assure the completeness and accuracy of ambulance service billings processed by their third-party administrator. To improve internal controls we recommend that the Township document their review of the monthly billing reports received from Medicount. The monthly billing reports should be marked with the reviewer's initials (or signature) and the date. The monthly billing reports should also be compared to the EMS run sheets or run logs to ensure they are accurate and complete. This review should also be documented with the reviewer's initials (or signature) and the date.

**Officials' Response:**

This finding refers to auditing contracted work by Medicount Management. The contract is the billing for EMS and Fire related runs by the Ross Fire Department. Medicount Management has handled the billing for many years. This has never been a concern in any past audit. The billing information received is now being reviewed monthly. I [the Fiscal Officer] have set up a meeting next week with Fire Chief Miller to go over an audit plan for the run sheets submitted. The audit will consist of balancing run sheets submitted with those entered as received by Medicount Management. The payments received have been audited [by the Township] for 2008 with no exceptions noted.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.36(A)(4)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**FINDING NUMBER 2007-002  
 (Continued)**

At December 31, 2007 estimated receipts exceeded actual receipts in the Special Levy – Fire Fund. Furthermore, appropriations exceeded the available fund balance in this fund as follows:

<b>Fund</b>	<b>Prior Year Carryover Encumbrances + Appropriations</b>	<b>Beginning Unencumbered Fund Balance + Actual Receipts</b>	<b>Variance</b>
Special Levy – Fire (Fund 2191)	\$661,196	\$582,627	\$78,569

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances. We recommend that the Township monitor estimated and actual receipts and obtain amendments when required.

**Officials’ Response:**

I [the Fiscal Officer] have not been able to determine why this error took place. I will see that this item does not occur in the future.

**FINDING NUMBER 2007-003**

**Significant Deficiency**

When designing the public office’s system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management’s policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Township lacked management oversight in the proper posting of local taxes revenue, public works disbursements, and calculation of outstanding encumbrances. This lack of oversight is illustrated by the following:

- The Township received township-levied permissive motor vehicle license tax in the amount of \$58,134.01 in 2007 and \$59,036.92 in 2006. This revenue was posted to Intergovernmental Revenue. However, this activity should have been posted to the Local Taxes line item. The Township was misinformed in prior audits that this revenue was to be posted to the Intergovernmental Revenue line item.
- The Township posted some expenditures from the Road & Bridge Fund, the Police District Fund, the Road District Fund, and the Fire Fund to the General Government line item. This activity totaled \$24,606.64 in 2007 and \$294,631.13 in 2006 and should have been posted to the Public Works (Road & Bridge Fund and Road District Fund) and Public Safety (Police District Fund and Fire Fund) line items.
- The Township neglected to include \$8,142.63 in General Fund encumbrances and \$4,908.29 in Special Revenue Fund encumbrances that should have been recorded as outstanding at year-end 2006.

Audit adjustments were made to the financial statements for the above items with the exception of the last item, which was posted to the Summary of Unadjusted Differences.

**FINDING NUMBER 2007-003  
(Continued)**

The lack of proper management oversight could result in material misstatements. To improve recordkeeping and accountability of Township financial activity, we recommend that the Township use due care in posting financial activity to the Township's books. We also recommend that the Township ensure all encumbrances at year-end are included as outstanding encumbrances on the financial statements.

**Officials' Response:**

A) From 1995 until 2002 all permissive tax was posted to Local Government. During the 2000/2001 audit I [the Fiscal Officer] was informed the posting of Permissive Tax to Local Government Tax was incorrect and the tax should be posted to Intergovernmental Revenue. My financials for 2000/2001 were changed to show Permissive Tax going into Intergovernmental Revenue. From that point on, all Permissive Tax was posted to Intergovernmental Revenue. B) The posting of some expenditures to General Government for 2006 was discovered [by the Fiscal Officer] and future postings corrected prior to the audit. I discovered the errors at year end and could not go back to correct 2006 postings. I did add the correct expense codes for future postings. The amount that shows up in 2007 was for payroll periods prior to the correct expense codes in place. I did not correct them as the process would have been too cumbersome at that time. There should not be any further line item errors. These postings had been taking place for years with no audit findings. C) The issue of encumbrances for prior year expenses is being addressed and should not occur in the future.

**Auditor of State Conclusion:**

The Township should consult the Township Handbook located on the Auditor of State website.







**Mary Taylor, CPA**  
Auditor of State

**ROSS TOWNSHIP**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 7, 2008**