

Deercreek Township  
Madison County, Ohio  
Regular Audit  
For the Years Ended December 31, 2011 and 2010



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# Dave Yost • Auditor of State

Board of Trustees  
Deercreek Township  
1081 US Highway 42 SE  
London, Ohio 43140

We have reviewed the *Independent Auditor's Report* of Deercreek Township, Madison County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Dave Yost  
Auditor of State

October 9, 2012

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**Deercreek Township**  
**Madison County, Ohio**  
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**Independent Auditor's Report**

Board of Trustees  
Deercreek Township  
1081 US Highway 42 SE  
London, Ohio 43140

We have audited the accompanying financial statements of Deercreek Township, Madison County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Deercreek Township, Madison County, Ohio, , and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 8, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

June 28, 2012



**Deercreek Township**  
**Madison County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2011*

	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Totals (Memorandum Only)
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$132,683	\$0	\$0	\$0	\$132,683
Charges for Services	0	4,888	0	0	4,888
Licenses, Permits and Fees	0	4,499	0	0	4,499
Intergovernmental	21,528	93,157	0	0	114,685
Earnings on Investments	2,481	315	228	0	3,024
Miscellaneous	668	11,100	0	0	11,768
<b>Total Cash Receipts</b>	<b>157,360</b>	<b>113,959</b>	<b>228</b>	<b>0</b>	<b>271,547</b>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
General Government	126,578	7,329	0	0	133,907
Public Works	0	73,022	0	0	73,022
Health	0	10,455	0	0	10,455
Capital Outlay	311,193	10,287	0	0	321,480
<b>Debt Service:</b>					
Redemption of Principal	0	0	0	36,900	36,900
Interest and Other Fiscal Charges	0	0	0	5,956	5,956
<b>Total Cash Disbursements</b>	<b>437,771</b>	<b>101,093</b>	<b>0</b>	<b>42,856</b>	<b>581,720</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(280,411)</b>	<b>12,866</b>	<b>228</b>	<b>(42,856)</b>	<b>(310,173)</b>
<b>Other Financing Receipts (Disbursements):</b>					
Transfers In	0	0	20,000	42,856	62,856
Transfers Out	(42,856)	(20,000)	0	0	(62,856)
Sale of Bonds	200,000	0	0	0	200,000
<b>Total Other Financing Receipts (Disbursements)</b>	<b>157,144</b>	<b>(20,000)</b>	<b>20,000</b>	<b>42,856</b>	<b>200,000</b>
<b>Excess of Cash Receipts and Other Financing Receipts (Disbursements) Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(123,267)</b>	<b>(7,134)</b>	<b>20,228</b>	<b>0</b>	<b>(110,173)</b>
<b>Fund Cash Balances, January 1</b>	<b>375,545</b>	<b>61,770</b>	<b>40,134</b>	<b>0</b>	<b>477,449</b>
<b>Fund Cash Balances, December 31:</b>					
<b>Restricted for:</b>					
Road and Bridge Repair and Maintenance	0	42,059	0	0	42,059
Cemetery	0	12,577	0	0	12,577
<b>Committed to:</b>					
Road Truck Purchase	0	0	60,362	0	60,362
Unassigned	252,278	0	0	0	252,278
<b>Fund Cash Balances, December 31</b>	<b>\$252,278</b>	<b>\$54,636</b>	<b>\$60,362</b>	<b>\$0</b>	<b>\$367,276</b>

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

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

	General Fund	Special Revenue Funds	Capital Project Funds	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$116,767	\$0	\$0	\$116,767
Charges for Services	0	5,500	0	5,500
Licenses, Permits and Fees	0	2,898	0	2,898
Intergovernmental	35,549	97,694	0	133,243
Earnings on Investments	1,615	360	117	2,092
Miscellaneous	1,120	4,500	0	5,620
<b>Total Cash Receipts</b>	<b>155,051</b>	<b>110,952</b>	<b>117</b>	<b>266,120</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	119,095	7,868	0	126,963
Public Works	0	88,061	0	88,061
Health	127	9,978	0	10,105
Capital Outlay	9,519	8,252	0	17,771
<b>Total Cash Disbursements</b>	<b>128,741</b>	<b>114,159</b>	<b>0</b>	<b>242,900</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>26,310</b>	<b>(3,207)</b>	<b>117</b>	<b>23,220</b>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers In	0	0	20,000	20,000
Transfers Out	0	(20,000)	0	(20,000)
Sale of Fixed Assets	56,500	0	0	56,500
<b>Total Other Financing Receipts (Disbursements)</b>	<b>56,500</b>	<b>(20,000)</b>	<b>20,000</b>	<b>56,500</b>
<b>Excess of Cash Receipts and Other Financing Receipts (Disbursements) Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>82,810</b>	<b>(23,207)</b>	<b>20,117</b>	<b>79,720</b>
<b>Fund Cash Balances, January 1</b>	<b>292,735</b>	<b>84,977</b>	<b>20,017</b>	<b>397,729</b>
<b>Fund Cash Balances, December 31</b>	<b>\$375,545</b>	<b>\$61,770</b>	<b>\$40,134</b>	<b>\$477,449</b>

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

**Deercreek Township**  
**Madison County, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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

**Description of the Entity**

Deercreek Township, Madison County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The Township participates in jointly governed organizations. Note 7 to the financial statements provides additional information for these entities.

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

**Basis of Accounting**

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

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

**Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**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:

*General Fund*

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

*Special Revenue Funds*

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

*Gasoline Tax Fund* – This fund receives tax monies for the constructing, maintaining, and repairing of Township roads.

**Deercreek Township**  
**Madison County, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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

*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:

Miscellaneous Capital Project Fund – This fund was established for the purchase of a truck.

*Debt Service Funds*

These funds account for the payments of principal and interest of the Township's debt. The Township had the following significant Debt Service Fund:

Bond Retirement Fund – This fund was established to pay the debt payments on the Township's bonds.

**Budgetary Process**

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

*Appropriations*

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

*Estimated Resources*

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

*Encumbrances*

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

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

**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.

**Deercreek Township**  
**Madison County, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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

**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.

**Fund Balances**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

*Committed* – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends 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.

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

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

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

**Note 2 – Equity in Pooled Cash and Investments**

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

	2011	2010
Demand Deposits	\$367,276	\$477,449

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

**Deercreek Township**  
**Madison County, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$354,811	\$357,360	\$2,549
Special Revenue	151,373	113,959	(37,414)
Capital Project	0	20,228	20,228
Debt Service	0	42,856	42,856
Total	\$506,184	\$534,403	\$28,219

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$585,566	\$480,627	\$104,939
Special Revenue	157,180	121,093	36,087
Capital Project	0	0	0
Debt Service	42,900	42,856	44
Total	\$785,646	\$644,576	\$141,070

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$162,092	\$211,551	\$49,459
Special Revenue	87,610	110,952	23,342
Capital Project	0	20,117	20,117
Total	\$249,702	\$342,620	\$92,918

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$445,554	\$128,741	\$316,813
Special Revenue	158,880	134,159	24,721
Capital Project	0	0	0
Total	\$604,434	\$262,900	\$341,534

**Note 4 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**Deercreek Township**  
**Madison County, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 4 – Property Taxes (Continued)**

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

**Note 5 – Retirement Systems**

The Township's full-time 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 2011 and 2010, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**Note 6 – 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.

**Risk Pool Membership**

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

**Deercreek Township  
Madison County, Ohio**

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

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**Note 6 – Risk Management (Continued)**

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 –Jointly Governed Organizations**

Central Townships Joint Fire District (the Fire District) was incorporated in May 2007 and is a taxing authority legally separate from any other entity. The Fire District is governed by five townships: Deercreek, Monroe, Oak Run, Paint, and Union. The Fire District is directed by a five-member Board of Trustees consisting of one appointed Trustee from each participating township. The Fire District receives its revenue from a levy that passed in November 2007. Deercreek made no contributions to the Fire District in 2011 or 2010. Financial information can be obtained by contacting the Central Townships Joint Fire District, Robert Dunkle, 9270 Danville Road, S.E., London, Ohio 43140.

The Madison Emergency Medical District (the District) provides ambulance services within the District and by contract to areas outside the District. The District is directed by an appointed six-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are the City of London, Deercreek Township, Monroe Township, Oak Run Township, Paint Township and Union Township. Deercreek made no contributions to the District in 2011 or 2010. Financial information can be obtained by contacting the Madison County Emergency Medical District, John Green, Clerk, P.O. Box 68, London, Ohio 43140.



**Deercreek Township**  
**Madison County, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 8 – Change in Accounting Principles**

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

**Note 9 – Lease Agreement**

On May 1, 2011, the Township entered into a lease-back to purchase agreement with Madison County Future, Inc. (Lessor), an Ohio not-for-profit corporation. The lease term is one year and ends on April 30, 2012. During the term of the lease, the Lessor is constructing a building. The Township (Lessee) is to essentially pay the construction costs incurred by the Lessor to the Lessor as the project progresses. At the end of the lease term, the Township will purchased the leased premises for \$1.

**Note 10 – Accountability and Compliance**

Contrary to Ohio Revised Code Section 5705.39, the Township had appropriations in excess of estimated resources in the debt service fund in 2011.

Contrary to Ohio Revised Code Section 5705.41(D)(3), the Township utilized super blanket certificates for expenditures which were not reasonably predictable or reoccurring.

**Note 11 – Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Building Construction Bonds, Series 2011	\$163,100	4.00%

In February 2011, the Township authorized the issuance of bonds for the purpose of constructing a building in the amount of \$200,000. Annual principal and interest payments are due December 1 to repay these bonds over a period of 5 years. These bonds are secured by the full faith and credit of the Township.

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

Year Ending December 31:	Building Bonds
2012	\$44,924
2013	44,988
2014	44,988
2015	44,928
Total	\$179,828

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Deercreek Township  
1081 US Highway 42 SE  
London, Ohio 43140

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

**Internal Control Over Financial Reporting**

Management of the Township is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. This item is identified as finding 2011-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011-002 and 2011-003.

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

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

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



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

June 28, 2012

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

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

**Finding Number 2011-001**

**Material Weakness – Budgetary Information within the Accounting System**

Accurate budgetary information within the Township’s accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Budgetary information per the accounting system did not always agree with budgetary documents filed with the County Auditor. The Township should implement the appropriate procedures, such as reconciling budgetary information within the accounting system to formally approved budgets, to ensure that budgetary information is presented accurately and completely. Furthermore, the Township should also estimate their resources submitted to the County Auditor at the fund level.

**Township Response:**

An error was made in projecting estimated resources. Procedures are now in place to identify future errors.

**Finding Number 2011-002**

**Noncompliance Citation – Ohio Revised Code Section 5705.39**

Ohio Rev. Code Section 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.

The Township’s appropriations exceeded estimated resources in the Debt Service Fund in 2011 by \$42,900.

The Township should implement appropriate monitoring procedures to ensure that appropriations do not exceed the amount of estimated resources.

**Township Response:**

The transfer in to the debt service fund was erroneously omitted from the estimated resources. Procedures are now in place to identify future errors.

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

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**Finding Number 2011-003**

**Noncompliance Citation – Super Blanket Certificates**

Ohio Revised Code Section 5705.41(D)(3) allows for the use of “super blanket” certificates for any amount for expenditures and contracts from a specific line-item and any other specific year. A super blanket can be made for any purchases exempt from competitive bidding under section 125.04 of the Revised Code and any other specific expenditure that is a recurring and reasonably predictable operating expense. A “super blanket” shall not extend beyond the end of the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Township utilized super blanket certificates for both 2010 and 2011. It was noted in both years that super blankets were being used for expenses that were not reasonably predictable or reoccurring. The Township should review the Ohio Revised Code sections regarding encumbrance of funds and the use of regular and super blanket certificates and implement the appropriate procedures to ensure adherence to the these regulations. Furthermore, the Township should ensure that purchase orders numbers are identified for each check issued.

**Township Response:**

Budgetary monitoring procedures are in place.

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# Dave Yost • Auditor of State

**DEERCREEK TOWNSHIP**

**MADISON 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 23, 2012**