



Dave Yost • Auditor of State

RECOVERY TOWNSHIP
MERCER COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Recovery Township
Mercer County
1757 St. Joe Rd.
Fort Recovery, Ohio 45846

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of Recovery Township, Mercer County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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 requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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 Recovery Township, Mercer County as of December 31, 2015 and 2014, 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 November 21, 2016, 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

November 21, 2016

**RECOVERY TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$24,085	\$80,706	\$104,791
Licenses, Permits and Fees	1,100		1,100
Intergovernmental	24,440	105,734	130,174
Special Assessments		1,608	1,608
Earnings on Investments	15		15
Miscellaneous	520	2,100	2,620
Total Cash Receipts	<u>50,160</u>	<u>190,148</u>	<u>240,308</u>
Cash Disbursements:			
Current:			
General Government	37,625	10,190	47,815
Public Safety	3,160		3,160
Public Works		149,700	149,700
Health	10,203		10,203
Capital Outlay		2,396	2,396
Total Cash Disbursements	<u>50,988</u>	<u>162,286</u>	<u>213,274</u>
Excess of Receipts Over (Under) Disbursements	<u>(828)</u>	<u>27,862</u>	<u>27,034</u>
Other Financing Receipts (Disbursements):			
Advances In	310	310	620
Advances Out	<u>(310)</u>	<u>(310)</u>	<u>(620)</u>
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	(828)	27,862	27,034
Fund Cash Balances, January 1	<u>87,385</u>	<u>20,478</u>	<u>107,863</u>
Fund Cash Balances, December 31:			
Restricted		31,969	31,969
Committed		16,371	16,371
Assigned	37,844		37,844
Unassigned	48,713		48,713
Fund Cash Balances, December 31	<u>\$86,557</u>	<u>\$48,340</u>	<u>\$134,897</u>

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

**RECOVERY TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$19,226	\$66,785		\$86,011
Licenses, Permits and Fees	1,200			1,200
Intergovernmental	21,757	102,275	\$21,000	145,032
Special Assessments		1,688		1,688
Earnings on Investments	15			15
Miscellaneous	703	2,052		2,755
Total Cash Receipts	<u>42,901</u>	<u>172,800</u>	<u>21,000</u>	<u>236,701</u>
Cash Disbursements:				
Current:				
General Government	49,990	1,195		51,185
Public Safety	3,160			3,160
Public Works		176,492		176,492
Health	10,024			10,024
Capital Outlay			21,000	21,000
Total Cash Disbursements	<u>63,174</u>	<u>177,687</u>	<u>21,000</u>	<u>261,861</u>
Excess of Receipts Over (Under) Disbursements	<u>(20,273)</u>	<u>(4,887)</u>		<u>(25,160)</u>
Other Financing Receipts (Disbursements):				
Transfers In		849		849
Transfers Out	(849)			(849)
Advances In	462	462		924
Advances Out	(462)	(462)		(924)
Total Other Financing Receipts (Disbursements)	<u>(849)</u>	<u>849</u>		
Net Change in Fund Cash Balances	(21,122)	(4,038)		(25,160)
Fund Cash Balances, January 1	<u>108,507</u>	<u>24,516</u>		<u>133,023</u>
Fund Cash Balances, December 31:				
Restricted		15,574		15,574
Committed		4,904		4,904
Assigned	18,653			18,653
Unassigned	68,732			68,732
Fund Cash Balances, December 31	<u>\$87,385</u>	<u>\$20,478</u>	<u>\$0</u>	<u>\$107,863</u>

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

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 Recovery Township, Mercer 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 and emergency medical services. The Township contracts with Mercer County Emergency Services to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority, Inc (OTARMA), a public entity risk pool. Note 6 to the financial statements provide 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 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. Deposits

The Township invests all available funds of the Township in an interest-bearing checking account.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital Project Funds

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

Public Works Commission Fund – This fund receives OPWC money for construction and repair of Township roads.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Township classifies assets as *non-spendable* 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.

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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.

G. Property, Plant, and Equipment

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

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>2015</u>	<u>2014</u>
Demand deposits	<u>\$134,897</u>	<u>\$107,863</u>
Total deposits	<u>\$134,897</u>	<u>\$107,863</u>

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

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,096	\$50,160	\$12,064
Special Revenue	189,089	190,148	1,059
Total	<u>\$227,185</u>	<u>\$240,308</u>	<u>\$13,123</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,749	\$50,988	\$5,761
Special Revenue	191,789	162,286	29,503
Total	<u>\$248,538</u>	<u>\$213,274</u>	<u>\$35,264</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,110	\$42,901	\$1,791
Special Revenue	173,360	173,649	289
Capital Projects	21,000	21,000	
Total	<u>\$235,470</u>	<u>\$237,550</u>	<u>\$2,080</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,000	\$64,023	\$13,977
Special Revenue	194,745	177,687	17,058
Capital Projects	21,000	21,000	
Total	<u>\$293,745</u>	<u>\$262,710</u>	<u>\$31,035</u>

4. PROPERTY TAX

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

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

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates For 2015 and 2014, 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, 2015.

6. RISK MANAGEMENT

A. Ohio Township Association Risk Management Authority (OTARMA)

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

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

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

B. Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

C. 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, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	<u>\$28,894,793</u>	<u>\$27,057,831</u>

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. RISK MANAGEMENT (Continued)

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$1,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>
<u>2015</u>
<u>\$2,743</u>

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

The Township was covered by commercial insurance in 2014.



Dave Yost • Auditor of State

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

Recovery Township
Mercer County
1757 St. Joe Rd.
Fort Recovery, Ohio 45846

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 cash balances, receipts, and disbursements by fund type of Recovery Township, Mercer County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2016 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2016

**RECOVERY TOWNSHIP
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Payroll Certificates – Noncompliance/Material Weakness

Ohio Rev. Code Section 505.24(D) states in part that, each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. The payroll certifications that were completed did not specifically indicate the funds for allocating the payroll expenditures. The payroll certificates stated that the allocation should be from the general fund and from one of the road work funds, but did not specify from which road work fund. In addition, the payroll certificates did not agree to the actual percentages paid from the general fund and road work funds.

As a result, the following adjustments were made:

- In 2015, the Gas Tax Fund increased \$1,274, the Permissive Motor Vehicle License Tax Fund was increased \$537, and the General Fund decreased by \$1,811;
- In 2014, the Gas Tax Fund increased \$684, and the General Fund decreased \$684

The adjustments are reflected on the accompanying financial statements and have been posted to the Township's records.

The Township should review the Auditor of State Bulletin 2011-007 for guidance in certifying Township Trustee payroll. The Trustees also should breakdown the percentages by fund on their monthly payroll certifications and use those percentages to post the payroll to the actual funds within the UAN system to properly reflect the payroll expenditures within the Township's records.

Officials' Response

We did not receive a response from Officials for this finding.

FINDING NUMBER 2015-002

Accuracy of Financial Statement Transaction Classifications - Material Weakness

Transactions were posted to the general ledger and annual report; however, not all transactions were posted to the correct line item accounts. The following items were not properly posted during 2015 and 2014:

- In 2014, the beginning balance in the General fund was decreased in the amount of \$851, increasing the beginning balance in the Gas Tax fund due to correcting an adjustment to the balances for recording prior audit adjustments
- In 2014, the beginning balance in the General fund was decreased in the amount of \$506 due to a check voided in UAN.
- In 2015 and 2014, the Township incorrectly recorded tax settlement fees which resulted in an overstatement of General Government disbursements by \$1,483 and \$1,195, respectively, in the General fund, and an understatement in the Road and Bridge fund;

FINDING NUMBER 2015-002
(Continued)

- In 2015, the Township incorrectly posted intergovernmental revenue for excess IRP receipts in the amount of \$284 in the General fund, but should have been recorded in the Motor Vehicle License Tax fund;
- In 2015 and 2014, the Township incorrectly posted homestead and rollback intergovernmental revenue as property tax revenue resulting in an overstatement in property tax revenue and an understatement in intergovernmental revenue by \$7,621 and \$6,021, respectively, in the Road and Bridge fund;
- In 2015, the Township incorrectly recorded payroll expenditures resulting in an overstatement of General Government disbursements by \$4,392 in the Gasoline Tax fund, and an understatement of Public Works disbursements.
- In 2014, the Township incorrectly recorded TTP Tax revenue resulting in an understatement of property tax revenue by \$2,051 in the Road and Bridge fund, and overstatement of intergovernmental revenue.

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.170-1800.177) - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 also establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The following errors were noted as a result of the Township not properly implementing GASB Statement No 54:

- In 2015, the entire General Fund balance was incorrectly classified as unassigned. The fund balance was reclassified from unassigned to assigned in the amount of \$37,844 to properly reflect 2016 appropriations made that exceeded 2016 estimated receipts per GASB 54 guidance.
- In 2014, the entire General Fund balance was incorrectly classified as unassigned. Part of the fund balance was reclassified from unassigned to assigned in the amount of \$18,653 to properly reflect 2015 appropriations that exceeded 2015 estimated receipts per GASB 54 guidance.
- The GASB 54 fund classification for the Road and Bridge Fund requires the fund be classified as committed if the levy is inside millage. This resulted in adjusting \$16,371 and \$4,904 in the Special Revenue fund balance from restricted to committed for 2015 and 2014 respectively.
- The Zoning Fund was reclassified from a Special Revenue Fund to the General Fund based on the type of activity in the fund. This resulted in an understatement of Licenses, Permits and Fees Revenue in the General Fund of \$1,100 in 2015 and \$1,200 in 2014, and an understatement of General Government disbursements of \$1,080 in 2015. This also increased General Fund beginning fund balance by \$1,220 in 2015 and \$1,200 in 2014.
- In 2015 and 2014, the Township incorrectly classified the St. Joe Light Fund balance as assigned instead of as restricted for \$146 and \$151, respectively, as required per GASB 54 guidance.

The 2015 and 2014 annual reports required audit adjustments and reclassifications for proper presentation. The adjustments are reflected on the accompanying financial statements and where required have been posted to the Township's records.

There were other immaterial items noted that were not adjusted to the financial statements.

FINDING NUMBER 2015-002
(Continued)

The Fiscal Officer is responsible for the day-to-day accounting transactions at the Township, including classification of receipts by fund and account. The Fiscal Officer generated duplicate receipts from the accounting system, but this was only to keep the receipts on file. The Board of Trustees did not review any systems generated receipt reports. Failure to properly monitor the accounting transactions within the Township could result in errors going undetected at the Township for long periods of time.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Township's chart of accounts. The fiscal officer should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so may result in incorrect classification of funds and inaccurate financial statements. The Board of Trustees should review the activity that have been posted to the accounting system on a monthly basis and document this review either in the minutes or by signing off on the system generated reports.

Officials' Response

We did not receive a response from Officials for this finding.

**RECOVERY TOWNSHIP
MERCER COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	The payroll certificates did not agree to the actual percentage paid from each fund.	Not Corrected	Repeated as Finding 2015-001
2013-002	GASB 54 – Material Weakness for improper classification of fund balances.	Not Corrected	Repeated as Finding 2015-002



Dave Yost • Auditor of State

RECOVERY TOWNSHIP

MERCER 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
DECEMBER 27, 2016