



Dave Yost • Auditor of State

SHORT CREEK TOWNSHIP
HARRISON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Short Creek Township
Harrison County
838 West Main Street
Adena, Ohio 43901

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 Short Creek Township, Harrison County, Ohio (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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38

and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these 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 § 117.38 and Ohio Administrative Code § 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 Short Creek Township, Harrison County, Ohio 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, at December 31, 2013, the General Fund and Special Revenue Fund balances were restated due to a prior audit adjustment posted by the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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

October 31, 2016

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$14,159	\$91,644	\$0	\$105,803
Licenses, Permits and Fees	0	600	0	600
Intergovernmental	24,309	108,866	0	133,175
Earnings on Investments	20	7	1	28
Miscellaneous	2,924	1,279	0	4,203
<i>Total Cash Receipts</i>	<u>41,412</u>	<u>202,396</u>	<u>1</u>	<u>243,809</u>
Cash Disbursements				
Current:				
General Government	12,489	13,744	0	26,233
Public Safety	0	50,769	0	50,769
Public Works	5,200	142,750	0	147,950
Health	500	2,614	0	3,114
Debt Service:				
Principal Retirement	0	1,800	0	1,800
Interest and Fiscal Charges	0	421	0	421
<i>Total Cash Disbursements</i>	<u>18,189</u>	<u>212,098</u>	<u>0</u>	<u>230,287</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>23,223</u>	<u>(9,702)</u>	<u>1</u>	<u>13,522</u>
<i>Fund Cash Balances, January 1</i>	<u>(299)</u>	<u>27,041</u>	<u>1,771</u>	<u>28,513</u>
Fund Cash Balances, December 31				
Restricted	0	14,190	1,772	15,962
Committed	0	3,149	0	3,149
Unassigned (Deficit)	22,924	0	0	22,924
<i>Fund Cash Balances, December 31</i>	<u>\$22,924</u>	<u>\$17,339</u>	<u>\$1,772</u>	<u>\$42,035</u>

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

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$11,418	\$76,347	\$0	\$87,765
Licenses, Permits and Fees	0	550	0	550
Intergovernmental	15,229	100,885	0	116,114
Earnings on Investments	19	6	1	26
Miscellaneous	163	858	0	1,021
<i>Total Cash Receipts</i>	<u>26,829</u>	<u>178,646</u>	<u>1</u>	<u>205,476</u>
Cash Disbursements				
Current:				
General Government	27,123	12,858	0	39,981
Public Safety	0	39,828	0	39,828
Public Works	282	146,301	0	146,583
Health	0	2,171	0	2,171
Debt Service:				
Principal Retirement	0	1,800	0	1,800
Interest and Fiscal Charges	0	497	0	497
<i>Total Cash Disbursements</i>	<u>27,405</u>	<u>203,455</u>	<u>0</u>	<u>230,860</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(576)</u>	<u>(24,809)</u>	<u>1</u>	<u>(25,384)</u>
<i>Fund Cash Balances, January 1- Restated See Note 2</i>	<u>277</u>	<u>51,850</u>	<u>1,770</u>	<u>53,897</u>
Fund Cash Balances, December 31				
Restricted	0	17,385	1,771	19,156
Committed	0	9,656	0	9,656
Unassigned (Deficit)	(299)	0	0	(299)
<i>Fund Cash Balances, December 31</i>	<u>(\$299)</u>	<u>\$27,041</u>	<u>\$1,771</u>	<u>\$28,513</u>

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

**SHORT CREEK TOWNSHIP
HARRISON 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 Short Creek Township, Harrison County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Adena, Cadiz, Harrisville and New Athens Volunteer Fire Departments to provide fire services.

The Township participates in 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. Note 8 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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire Levy Fund - This fund receives property tax money to provide fire protection to Township residents.

3. Permanent Funds

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

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

D. Budgetary Process

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

1. Appropriations

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

A summary of 2015 and 2014 budgetary activity appears in Note 4.

E. Fund Balance

Fund balance is divided into three 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:

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

1. 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.

2. 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.

3. Unassigned

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

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

F. Property, Plant, and Equipment

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

2. RESTATEMENT OF FUND BALANCES

An audit adjustment the Township declined to post in the prior audit was determined to be significant to the Township's financial statements for the year ended December 31, 2014. The adjustment was posted by the Township and the effect on the Township's beginning fund balances at December 31, 2013 is noted below:

	General Fund	Special Revenue
Fund Balance, December 31, 2013	\$1,386	\$50,741
Restatement	(1,109)	1,109
Restated, Fund Balance, December 31, 2013	\$277	\$51,850

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

3. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand deposits	\$42,035	\$28,513

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

4. 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	\$27,500	\$41,412	\$13,912
Special Revenue	192,460	202,396	9,936
Permanent	0	1	1
Total	\$219,960	\$243,809	\$23,849

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$18,189	(\$18,189)
Special Revenue	0	212,098	(212,098)
Total	\$0	\$230,287	(\$230,287)

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,550	\$26,829	\$2,279
Special Revenue	190,992	178,646	(12,346)
Permanent	0	1	1
Total	\$215,542	\$205,476	(\$10,066)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,638	\$27,405	\$8,233
Special Revenue	231,704	203,455	28,249
Permanent	1,770	0	1,770
Total	\$269,112	\$230,860	\$38,252

- Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Cemetery and Fire District Funds by \$18,189, \$8,115, \$89,001, \$61,599, \$2,614 and \$50,769, respectively, for the year ended December 31, 2015.

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

- Contrary to Ohio Rev. Code § 5705.39, at December 31, 2014, appropriations exceeded estimated resources by \$10,811 in the General Fund.
- Contrary to Ohio Rev. Code § 5705.10(D), in 2015, Township supplement monies and House Bill 64 Local Government payment in the amount of \$6,341 and \$528, respectively, were posted to the Road & Bridge Fund instead of the General Fund.
- Contrary to Ohio Rev. Code § 5705.10(I), payroll costs related to cemetery maintenance were charged to the Gasoline Tax and Road & Bridge Funds in 2015 and 2014 in the amount of \$2,064 and \$1,621, respectively.

5. 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.

6. DEBT

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
U.S. Department of Agriculture (USDA) General Obligation Bonds	\$8,100	4.25%

The Township issued USDA general obligation bonds to finance the purchase of a backhoe for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

	USDA General Obligation Bonds
Year ending December 31:	
2016	\$2,244
2017	2,264
2018	2,179
2019	2,294
Total	\$8,981

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

7. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this 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.

8. RISK MANAGEMENT

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

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

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

Casualty and Property Coverage

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

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:

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

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

8. 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 members and 957 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 \$3,000.

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>2014</u>
\$5,937	\$5,927

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.

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Dave Yost • Auditor of State

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

Short Creek Township
Harrison County
838 West Main Street
Adena, Ohio 43901

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 Short Creek Township, Harrison County, Ohio (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 October 31, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted at December 31, 2013, the General Fund and Special Revenue Fund balances were restated due to a prior audit adjustment posted by the Township.

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 material weaknesses. We consider Findings 2015-001, 2015-002, 2015-005, and 2015-006 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-004.

Township's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 31, 2016

**SHORT CREEK TOWNSHIP
HARRISON 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

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. All revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose shall be paid into the general fund.

During 2015, we noted the following financial statement errors:

A Township Supplement payment (i.e., local government monies) from the County Auditor in the amount of \$6,341 was improperly posted to the Road and Bridge Fund and should have been posted to the General Fund.

A Township House Bill (HB) 64 Local Government payment from the County Auditor in the amount of \$528 was posted to the Road and Bridge Fund and should have been posted to the General Fund.

These adjustments, to which Township management agrees, have been posted to the Township's accounting records and are reflected in the accompanying financial statements.

The Fiscal Officer should record Township supplement and HB 64 local government monies in the Township's General Fund.

Officials' Response: Going forward the Fiscal Officer will work to make sure payments are posted to the correct accounts.

FINDING NUMBER 2015-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used for the purpose for which it was established.

The Township charged \$1,360 and \$704 of cemetery maintenance payroll costs to the Gasoline Tax and Road and Bridge Funds, respectively, in 2015. These charges should have been posted to the General and Cemetery Funds. In addition, the Township charged \$845 and \$776 of cemetery maintenance payroll costs to the Gasoline Tax and Road and Bridge Funds, respectively, in 2014. These charges should have been posted to the Cemetery Fund.

Adjustments have been posted to the Township's accounting records and are reflected in the accompanying financial statements.

In addition, as a result of audit adjustments the balance of the General Fund was negative at December 31, 2014 in the amount of \$299. This required money from another fund to be used to cover the expenses of the General Fund in 2014.

The Township should post all cemetery maintenance costs to the Cemetery Fund. If the Cemetery Fund lacks the financial resources to cover the costs, then the remaining costs should be charged to the Township's General Fund.

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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**FINDING NUMBER 2015-002
(Continued)**

Noncompliance and Material Weakness – Ohio Rev. Code § 5705.10(I)

Officials' Response: Cemetery expenses will be charged to the cemetery account or the general fund.

FINDING NUMBER 2015-003

Noncompliance

Ohio Rev. Code § 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources. This section also requires the Township to obtain a County Auditor's Certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

In 2014, the Township approved appropriations for the General Fund in the amount of \$35,638, which exceeded the estimated resources of \$24,827 by \$10,811. Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative fund balance.

The Fiscal Officer should ensure that the total appropriations for each fund are within the estimated resources for each fund to avoid possible deficit spending.

Officials' Response: Fiscal Officer will work to ensure that this doesn't happen again.

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Ohio Rev. Code § 5705.38(A) states, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.

During 2015, expenditures exceeded appropriations in the following funds as a result of the Township Trustees not approving an annual appropriation measure in 2015:

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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**FINDING NUMBER 2015-004
(Continued)**

Noncompliance – Ohio Rev. Code § 5705.41(B) and 5705.38(A) (Continued)

Fund	Appropriations	Expenditures	Variance
General	\$0	\$18,189	(\$18,189)
Motor Vehicle License Tax	0	8,115	(8,115)
Gasoline Tax	0	89,001	(89,001)
Road and Bridge	0	61,599	(61,599)
Cemetery	0	2,614	(2,614)
Fire District	0	50,769	(50,769)

While the Township passed temporary appropriations for 2015, permanent appropriations were not passed by the Board in the minute record.

The Township should ensure that permanent appropriations are passed by the Board no later than April 1 each year. The Township should also regularly monitor appropriations and expenditures and, if necessary, file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations. This will help to reduce the risk of disbursements exceeding appropriations and will add a measure of control over the Township's budgetary process.

Officials' Response: The Fiscal Officer will make sure the budget and annual appropriations are approved by the Trustees.

FINDING NUMBER 2015-005

Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are accurately input into the Uniform Accounting Network (UAN) system.

The Fiscal Officer did not properly post budgeted receipts or appropriations, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and appropriation resolutions to the amounts posted to the accounting system.

The following variances occurred in 2014:

Fund	Amount per last Amended Certificate	Amount posted to the accounting system (UAN)	Variance
General	\$24,550	\$26,043	\$1,493

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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**FINDING NUMBER 2015-005
(Continued)**

Material Weakness (Continued)

Fund	Amount per Appropriation Resolution	Amount posted to the accounting system (UAN)	Variance
General	\$35,638	\$27,429	(\$8,209)
Gasoline Tax	101,270	108,409	7,139
Road and Bridge	76,523	79,086	2,563

The following variances occurred in 2015:

Fund	Amount per last Amended Certificate	Amount posted to the accounting system (UAN)	Variance
General	\$27,500	\$33,591	\$6,091
Road and Bridge	52,300	66,172	13,872
Fire District	39,760	50,770	11,010
Permanent	0	1	1

Fund	Amount per Appropriation Resolution	Amount posted to the accounting system (UAN)	Variance
General	\$0	\$34,310	\$34,310
Motor Vehicle License Tax	0	10,115	10,115
Gasoline Tax	0	103,719	103,719
Road and Bridge	0	73,980	73,980
Cemetery	0	4,618	4,618
Fire District	0	50,769	50,769
Permanent	0	1,770	1,770

The adjustments to the budgetary amounts, to which Township management agrees, are reflected in Note 4 to the financial statements.

The Fiscal Officer should record estimated receipts per the Official Certificate of Estimated Resources and appropriations per the Appropriation Resolution, as well as all amendments. In addition, the Fiscal Officer should periodically present budget versus actual results to the Board of Trustees. As part of their monitoring responsibilities, the Board of Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenues or appropriations.

Officials' Response: The Fiscal Officer will work to stay on top of this.

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2015-006

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2016) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). These classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed.

The Township did not always record receipts and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement. Also, the Township did not always classify fund balance in the correct classification based on guidance from GASB Statement No. 54.

The following financial statement errors were noted during 2015:

- The Township posted Lodging Excise Tax receipts in the amount of \$2,225 in the General Fund to Property and Other Local Taxes, rather than Intergovernmental.
- The Township posted expenditures relating to chip and seal road work in the amount of \$1,700 to Health rather than Public Works in the General Fund.
- The Road and Bridge fund balance in the amount of \$3,149 was improperly classified as Restricted rather than Committed.

The following financial statement errors were noted during 2014:

- The Township posted Lodging Excise Tax receipts in the total amount of \$1,495 in the General Fund to Property and Other Local Taxes rather than Intergovernmental.
- The Road and Bridge fund balance in the amount of \$9,656 was improperly classified as Restricted rather than Committed.

The adjustments, with which the Township officials agree, are reflected within the accompanying financial statements and posted to the accounting records.

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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**FINDING NUMBER 2015-006
(Continued)**

Material Weakness (Continued)

The following financial statement errors were also noted during 2015:

- The Township posted First Half Real Estate Homestead and Rollback in the amounts of \$924, \$2,802 and \$2,455 in the General, Road and Bridge, and Fire District Funds, respectively, to Property and Other Local Taxes rather than Intergovernmental.

The following financial statement errors were also noted during 2014:

- The Township posted a portion of an insurance payment in the amount of \$3,500 in the Gasoline Tax Fund to General Government rather than Public Works.

The adjustments, with which the Township officials' agree, are not reflected within the accompanying financial statements as they are not deemed significant.

The Township should utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions and fund balance. This guidance will help ensure the Fiscal Officer makes proper postings to receipt and expenditure account classifications based on the source of the receipt and purpose of the expenditure.

Officials' Response: I will use the Ohio Township Handbook manual with the classifications of correct accounts.

**SHORT CREEK TOWNSHIP
HARRISON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 5705.41(B) for disbursements exceeding appropriations.	No	Not Corrected; Repeated as Finding 2015-004.
2013-002	Ohio Rev. Code § 507.09(C) for fringe benefits not charged in proportion to the allocation of salaries.	Yes	N/A.
2013-003	Material Weakness for misclassification of revenues and expenditures.	No	Not Corrected; Repeated as Finding 2015-006.
2013-004	Material Weakness for misclassification of fund balances.	No	Not Corrected; Repeated as Finding 2015-006.
2013-005	Material Weakness for inaccurate posting of budgeted receipts and appropriations.	No	Not Corrected; Repeated as Finding 2015-005.

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Dave Yost • Auditor of State

SHORT CREEK TOWNSHIP

HARRISON 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
NOVEMBER 22, 2016**