



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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DECATUR TOWNSHIP
LAWRENCE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2015 and 2014
Fiscal Years Audited Under GAGAS: 2015 and 2014



Dave Yost • Auditor of State

Board of Trustees
Decatur Township
16975 State Route 93
Pedro, OH 45659

We have reviewed the *Independent Auditor's Report* of Decatur Township, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2014 through December 31, 2015. 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.

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. Decatur Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 12, 2017

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Lawrence County
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For the Fiscal Years Ended December 31, 2015 and 2014

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Decatur Township
Lawrence County
16975 State Route 93
Pedro, Ohio 45659

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 Decatur Township, Lawrence 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 (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 presumed 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 Decatur Township, Lawrence 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 December 23, 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 23, 2016

**Decatur Township
Lawrence County**

Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For The Year Ended December 31, 2015

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 8,327	\$ 14,679	\$ 23,006
Licenses, Permits, and Fees	38	-	38
Intergovernmental	44,959	118,105	163,064
Earnings on Investments	6	-	6
Miscellaneous	267	6,778	7,045
Total Cash Receipts	<u>53,597</u>	<u>139,562</u>	<u>193,159</u>
Cash Disbursements:			
Current:			
General Government	34,361	-	34,361
Public Safety	-	2,430	2,430
Public Works	-	113,859	113,859
Capital Outlay	27,431	75,968	103,399
Debt Service:			
Redemption of Principal	-	11,951	11,951
Interest and Fiscal Charges	-	1,749	1,749
Total Cash Disbursements	<u>61,792</u>	<u>205,957</u>	<u>267,749</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(8,195)	(66,395)	(74,590)
Other Financing Receipts and (Disbursements):			
Sale of Notes	-	63,154	63,154
Procedes from Insurance	24,436	-	24,436
Total Other Financing Receipts/(Disbursements)	<u>24,436</u>	<u>63,154</u>	<u>87,590</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements			
Fund Cash Balances, January 1	<u>6,270</u>	<u>58,983</u>	<u>65,253</u>
Fund Cash Balances, December 31			
Restricted	-	55,742	55,742
Unassigned	22,511	-	22,511
Total Fund Cash Balances, December 31	<u>\$ 22,511</u>	<u>\$ 55,742</u>	<u>\$ 78,253</u>

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

**Decatur Township
Lawrence County**

Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For The Year Ended December 31, 2014

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 10,057	\$ 5,425	\$ 15,482
Licenses, Permits, and Fees	38	-	38
Intergovernmental	6,465	98,405	104,870
Earnings on Investments	5	-	5
Miscellaneous	448	10,712	11,160
Total Cash Receipts	<u>17,013</u>	<u>114,542</u>	<u>131,555</u>
Cash Disbursements:			
Current:			
General Government	21,740	3,265	25,005
Public Safety	1,747	2,408	4,155
Public Works	-	79,601	79,601
Other	495	-	495
Debt Service:			
Redemption of Principal	-	14,673	14,673
Interest and Fiscal Charges	-	825	825
Total Cash Disbursements	<u>23,982</u>	<u>100,772</u>	<u>124,754</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(6,969)	13,770	6,801
Fund Cash Balances, January 1	<u>13,239</u>	<u>45,213</u>	<u>58,452</u>
Fund Cash Balances, December 31			
Restricted	-	58,983	58,983
Unassigned	6,270	-	6,270
Fund Cash Balances, December 31	<u>\$ 6,270</u>	<u>\$ 58,983</u>	<u>\$ 65,253</u>

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

**DECATUR TOWNSHIP
LAWRENCE 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 Decatur Township, Lawrence 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 fire protection.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 and Investments

All cash assets of the Township are maintained in an interest bearing checking account.

D. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for and report the proceeds from 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:

DECATUR TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

D. **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.

FEMA Fund – This fund receives grant money from the Federal Emergency Management Agency for disaster recovery and rehabilitation.

E. **Budgetary Process**

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

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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.

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 also approve estimated resources.

3. **Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not encumber all commitments required by Ohio law.

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. **Nonspendable**

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

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

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	\$78,253	\$65,253

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

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

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

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	\$77,414	\$78,033	\$619
Special Revenue	173,855	202,716	28,861
Total	\$251,269	\$280,749	\$29,480

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,414	\$61,792	\$15,622
Special Revenue	247,009	205,957	41,052
Total	\$324,423	\$267,749	\$56,674

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,125	\$17,013	(\$11,112)
Special Revenue	239,245	114,542	(124,703)
Total	\$267,370	\$131,555	(\$135,815)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,125	\$23,982	\$4,143
Special Revenue	239,245	100,772	138,473
Total	\$267,370	\$124,754	\$142,616

4. Property Tax

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

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

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

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

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Kansas State Bank - Backhoe	\$ 51,204	2.8%
Total	<u>\$ 51,204</u>	

The Township received a note in 2015 through Kansas State Bank of Manhattan for the purchase of a backhoe. The original loan was for \$63,154. The full faith and credit of the Township is pledged to repay this debt. The note will be repaid from the Gasoline Tax Fund.

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

Year ending December 31:	<u>Backhoe Contract Payment</u>	<u>Applied to Interest</u>	<u>Applied to Principal</u>
2016	\$13,700	\$1,418	\$12,281
2017	\$13,700	\$1,078	\$12,621
2018	\$13,700	\$729	\$12,971
2019	\$13,700	\$369	\$13,330
Total Payments	<u>\$54,798</u>	<u>\$3,594</u>	<u>\$51,204</u>

6. Retirement Systems

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

7. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

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

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.

7. Risk Management (Continued)

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 (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	\$28,894,793	\$27,057,831

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 \$4,000.

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>
\$7,282	\$7,356

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

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

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.

9. Related Party Transactions

Two Township trustees, Garold Cox and Ronnie Cox, are siblings. These siblings each had children and other relatives that received compensation from the Township for work performed during 2015 and 2014.

The compensation is outlined below:

<u>Name</u>	<u>Amount Compensated</u>
Greg Cox	\$ 1,552
Ora Cox	2,832
G R Cox	972
James Cox	130



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Decatur Township
Lawrence County
16975 State Route 93
Pedro, Ohio 45659

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 Decatur Township, Lawrence 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 December 23, 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 opinion 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 that we consider material weaknesses. We consider findings 2015-002 and 2015-004 through 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, 2015-003, 2015-004, and 2015-006 to 2015-010.

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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 23, 2016

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-001

Material Noncompliance

Ohio Revised Code section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

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

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

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

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

The Township's Fiscal Officer did not certify the availability of funds prior to making commitments during 2014 and 2015. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Township's Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code section 5705.41(D) requires to authorize disbursements.

Client Response:

The Client did not provide a response for the above finding.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-002

Material Weakness - Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Intergovernmental Receipts
- License, Fines, and Fee Receipts
- Miscellaneous Receipts
- General Government Disbursements
- Public Works Disbursements
- Principal and Interest Payments
- Capital Outlay Disbursements

All of the above noted adjustments have been posted to the financial statements and the Township's accounting ledgers.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2015-003

Noncompliance Citation

26. U.S.C. 3402(a)(1) requires employers to withhold and remit federal income taxes from the wages of employees and elected officials.

There was no indication or documentation provided during the course of the audit that federal taxes were withheld or remitted in 2014.

We recommend that Decatur Township remit taxes withheld on a timely basis. Additionally, the Township should maintain documentation concerning the remittance of federal income taxes as well as the required reports.

Client Response:

The Client did not provide a response for the above finding.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-004

Noncompliance Citation/Material Weakness

Ohio Admin. Code 117-2-02(D) states all local and public offices shall maintain accounting records in a manual or computerized format. The records used shall be based on the nature of operations and services the public office provides, and shall consider the degree of automation and other factors.

The Township did not maintain the following:

- Subsequent Bank Statement
- Supporting documentation for federal tax remittance
- Public Records Policy
- Records Retention Policy
- Elected Official Bonds

We recommend that the Township maintain all accounting records in order to ensure records are accurate and complete.

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2015-005

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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The township did not carry amounts from the appropriation ledger, receipt ledger, and cashbook to the financial statements for the FEMA fund in fiscal years 2015 and 2014.

The township's fiscal officer should verify that all receipts and disbursements have been accounted for, in their specific funds, on the financial statements.

Client Response:

The Client did not provide a response for the above finding.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-006

Noncompliance/Material Weakness

Ohio Admin. Code 117-2-02(C)(1) states in part: all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances

We recommend that the fiscal officer ensure the appropriated amounts, per fund-function-object are being recorded in the township's appropriation ledger and updated when amendments are made. We recommend that the fiscal officer record budgeted receipts in the receipts ledger. We also recommend that the fiscal officer monitor encumbrances and unencumbered fund balances.

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2015-007

Noncompliance Citation

Pursuant to section 117.38 of the Ohio Revised Code, all local public offices must file an annual financial report. Beginning with 2015 financial report filings, all entities required to file with the AOS must file electronically via the Hinkle Annual Financial Data Reporting System (Hinkle System) unless a waiver has been approved by the AOS for the applicable filing year.

The Hinkle System is an internet-based application that allows certain financial statement, debt and demographic data to be entered and/or uploaded and transmitted to the AOS to satisfy the filing requirements of the Ohio Revised Code (ORC) and the OAC. The Hinkle System increases uniformity in financial reporting, generates the statutory reports to the governor and general assembly required to ORC 117.38, and provides users of this information improved access and functionality.

The Hinkle System was introduced for the 2013 financial report filing for cities and counties, and the 2014 financial report filing for school districts, including joint vocational school districts, educational service centers, community schools, townships, libraries and villages as stated in AOS Bulletin 2015-007.

We recommend the Township report their financials to the Auditor of State using the Hinkle System, as required by the Ohio Revised Code.

Client Response:

The Client did not provide a response for the above finding.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-008

Noncompliance Citation

Pursuant to Ohio Rev. Code §149.43(E), the Ohio Attorney General shall develop and provide to all public offices a model public records policy for responding to public records requests in compliance with Ohio Rev. Code §149.43 in order to provide guidance to public offices in developing their own public record policies for responding to public records requests in compliance with that section.

Pursuant to Ohio Rev. Code 149.43(B)(2), the entity shall have available a copy of its current records retention schedule at a location readily available to the public.

We recommend that formal records policies be adopted by the Township board and monitored to ensure that the policy is being followed accordingly.

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2015-009

Noncompliance Citation

Ohio Revised Code Section 705.27 requires the fiscal officer and such other officers or employees of the Township, as the Township Board of Trustees, shall give a bond to the Township for the faithful performance of their duties, in such sum as the Township Board of Trustees fixes by ordinance or resolution. Premiums on official bonds may be paid by the Township.

During testing, it was noted that bonds on two township trustees were allowed to lapse on January 1, 2014. No supporting documentation was provided to prove that the lapsed bonds were updated. This results in the Township not carrying adequate insurance to cover any losses resulting from the actions of these elected officials and employees during the period.

The Township should maintain updated records of bonds for all Trustees in order to be compliant with the Ohio Revised Code.

Client Response:

The Client did not provide a response for the above finding.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-010

Noncompliance Citation

Ohio Revised Code 5705.39 Appropriations limited by estimated revenue. The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

The Township should implement monitoring procedures to ensure compliance with 5705.39. Procedures for monitoring for compliance with this section ensure that monies are not expended in excess of allowable limits (unencumbered balances and estimated resources).

Client Response:

The Client did not provide a response for the above finding.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED 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; Explain:
2013-001	ORC Section 5705.41(D); Certifying funds prior to expenditure	No	Reissued as finding 2015-001
2013-002	ORC Section 5705.41(B); Expenditures exceeding Appropriations	Yes	Fully Corrected
2013-003	Material Weakness Controls over Financial Reporting	No	Reissued as Finding 2015-002



Dave Yost • Auditor of State

DECATUR TOWNSHIP

LAWRENCE 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
JUNE 22, 2017