



Dave Yost • Auditor of State

NEAVE TOWNSHIP
DARKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Neave Township
Darke County
3023 Ridge Drive
Greenville, Ohio 45331

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 Neave Township, Darke 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 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 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 Neave Township, Darke 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 February 21, 2017, 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

February 21, 2017

**NEAVE TOWNSHIP
DARKE 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$88,102	\$79,161		\$167,263
Charges for Services	6,480			6,480
Licenses, Permits and Fees		8,472		8,472
Intergovernmental	33,119	104,433		137,552
Special Assessments		1,846		1,846
Earnings on Investments	1,153	734		1,887
Miscellaneous	143	3,140		3,283
<i>Total Cash Receipts</i>	<u>128,997</u>	<u>197,786</u>		<u>326,783</u>
Cash Disbursements				
Current:				
General Government	69,726	1,561		71,287
Public Safety		48,548		48,548
Public Works	32,520	114,299		146,819
Health	12,269	13,373		25,642
Capital Outlay	1,000	41		1,041
<i>Total Cash Disbursements</i>	<u>115,515</u>	<u>177,822</u>		<u>293,337</u>
<i>Net Change in Fund Cash Balances</i>	13,482	19,964		33,446
<i>Fund Cash Balances, January 1</i>	<u>561,359</u>	<u>579,279</u>	<u>13,110</u>	<u>1,153,748</u>
Fund Cash Balances, December 31				
Restricted		521,275	13,110	534,385
Committed		77,968		77,968
Assigned	320,665			320,665
Unassigned (Deficit)	254,176			254,176
<i>Fund Cash Balances, December 31</i>	<u>\$574,841</u>	<u>\$599,243</u>	<u>\$13,110</u>	<u>\$1,187,194</u>

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

NEAVE TOWNSHIP
DARKE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Private Purpose Trust
<i>Fund Cash Balances, January 1</i>	<u>\$612</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$612</u></u>

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

**NEAVE TOWNSHIP
DARKE 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$78,275	\$74,347		\$152,622
Charges for Services	6,480			6,480
Licenses, Permits and Fees		8,090		8,090
Intergovernmental	22,633	96,214		118,847
Special Assessments		2,038		2,038
Earnings on Investments	1,336	863		2,199
Miscellaneous	1,081	3,730		4,811
<i>Total Cash Receipts</i>	<u>109,805</u>	<u>185,282</u>		<u>295,087</u>
Cash Disbursements				
Current:				
General Government	71,541	1,509		73,050
Public Safety		46,330		46,330
Public Works	31,728	101,768		133,496
Health	11,500	13,412		24,912
Other	112			112
Capital Outlay		1,292		1,292
<i>Total Cash Disbursements</i>	<u>114,881</u>	<u>164,311</u>		<u>279,192</u>
<i>Net Change in Fund Cash Balances</i>	(5,076)	20,971		15,895
<i>Fund Cash Balances, January 1</i>	<u>566,435</u>	<u>558,308</u>	<u>13,110</u>	<u>1,137,853</u>
Fund Cash Balances, December 31				
Restricted		496,279	13,110	509,389
Committed		83,000		83,000
Assigned	333,405			333,405
Unassigned (Deficit)	227,954			227,954
<i>Fund Cash Balances, December 31</i>	<u><u>\$561,359</u></u>	<u><u>\$579,279</u></u>	<u><u>\$13,110</u></u>	<u><u>\$1,153,748</u></u>

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

NEAVE TOWNSHIP
DARKE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	\$0
<i>Total Operating Cash Receipts</i>	<u>0</u>
Operating Cash Disbursements	
Purchased Services	26
<i>Total Operating Cash Disbursements</i>	<u>26</u>
<i>Operating (Loss)</i>	<u>(26)</u>
<i>Fund Cash Balances, January 1</i>	<u>638</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$612</u></u>

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

**NEAVE TOWNSHIP
DARKE 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 Neave Township, Darke County, as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including street maintenance. The Township contracts with the New Madison Community Volunteer Fire Company, Inc. and Liberty Township Fire Department to provide fire services.

During 2015 and 2014, the Township participated in public entity risk pools. Note 6 to the financial statements provides additional information for these entities. The organizations are Ohio Township Association Risk Management Authority (OTARMA) and Ohio Plan Risk Management, Inc. (OPRM).

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 Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

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.

**NEAVE TOWNSHIP
DARKE COUNTY**

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

D. Fund Accounting (Continued)

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.

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

Fire District Fund – This fund receives property tax money derived from a 1.3 mil fire levy to pay for fire protection services and capital related expenditures.

Fire District Fund – This fund receives property tax money derived from a .7 mil fire levy to pay for fire protection services.

3. Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

Permanent Improvement Fund – This fund was established for the construction of major capital projects.

4. Private Purpose Trust Fund

These funds account for assets held under a trust agreement that only allows the earnings on other individuals and not the Townships own programs. The Township had the following significant Private Purpose Trust Fund:

Ralph Myers Bequest Fund – This fund is used for the general maintenance and upkeep of the Ralph Myers grave site.

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 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.

**NEAVE TOWNSHIP
DARKE COUNTY**

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

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 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.

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.

**NEAVE TOWNSHIP
DARKE COUNTY**

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

F. Fund Balance (Continued)

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 AND INVESTMENTS

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

	2015	2014
Demand deposits	\$81,276	\$49,531
Certificates of deposit	402,662	401,266
Gold Premier Savings	203,256	202,951
Bequest Savings	612	612
Total deposits	687,806	654,360
Sweep Account	500,000	500,000
Total investments	500,000	500,000
Total deposits and investments	\$1,187,806	\$1,154,360

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

Investments: At December 31, 2015, the Township held investments; however, the Township did not have an investment policy in place (contrary to Ohio Rev. Code Section 135.14). The Township's financial institution transfers securities to the Township's agent to collateralize the sweep account. The securities are not in the Township's name. A financial institution's trust department holds the Township's equity securities in book entry form in the Township's name.

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	\$107,750	\$128,997	\$21,247
Special Revenue	184,413	197,786	13,373
Total	\$292,163	\$326,783	\$34,620

**NEAVE TOWNSHIP
DARKE COUNTY**

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

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$439,155	\$115,515	\$323,640
Special Revenue	333,485	177,822	155,663
Total	<u>\$772,640</u>	<u>\$293,337</u>	<u>\$479,303</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,734	\$109,805	(\$4,929)
Special Revenue	182,484	185,282	2,798
Fiduciary	1	0	(1)
Total	<u>\$297,219</u>	<u>\$295,087</u>	<u>(\$2,132)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$400,855	\$114,881	\$285,974
Special Revenue	326,865	164,311	162,554
Fiduciary	62	26	36
Total	<u>\$727,782</u>	<u>\$279,218</u>	<u>\$448,564</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.

5. RETIREMENT SYSTEMS

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 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.

**NEAVE TOWNSHIP
DARKE COUNTY**

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

6. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

OTARMA

During 2015, the Township belonged 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:

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. 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.

**NEAVE TOWNSHIP
DARKE COUNTY**

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

Contributions to OTARMA
<u>2015</u>
\$2,317

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.

OPRM

During 2014, the Township belonged to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 783 members as of December 31, 2014.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2014.

	<u>2014</u>
Assets	\$14,830,185
Liabilities	(8,942,504)
Members' Equity	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**NEAVE TOWNSHIP
DARKE COUNTY**

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

7. COMPLIANCE

The Township did not comply with Ohio Rev. Code Sections 505.24 and 507.09 related to the pay of officials' benefits from non-general funds.

8. RELATED PARTY TRANSACTIONS

Trustee Bryan Clymer works for Walls Brothers, Inc., an asphalt company that performed paving projects during 2015 and 2014 for the Township. During 2015 and 2014, Walls Brothers, Inc. received \$74,862 and \$71,135, respectively for the paving projects. The company was selected through the Darke County bidding process. Trustee Clymer abstained from any conversation or voting in regards to potential contracts with Walls Brothers, Inc.



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*

Neave Township
Darke County
3023 Ridge Drive
Greenville, Ohio 45331

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 Neave Township, Darke 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 February 21, 2017, 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 material weaknesses. We consider findings 2015-001 and 2015-003 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 and 2015-002.

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

February 21, 2017

**NEAVE TOWNSHIP
DARKE 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

Material Weakness and Non-Compliance

Ohio Rev. Code § 505.24(D) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. 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.

Ohio Rev. Code § 507.09(E) states, in part, a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

Auditor of State Bulletin 2013-002 states that township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

During 2015 and 2014, the Township Trustees and Fiscal Officer did not complete the required certifications; however, a portion of their salaries were paid from the Gasoline Tax Fund. Due to the lack of certifications and time logs supporting the allocation of the Trustees' and Fiscal Officer's pay, the Trustees' and Fiscal Officer's pay should have only been paid from the General Fund.

This resulted in the Township's 2015 and 2014 General Fund expenditures being understated and the Gasoline Tax Fund expenditures being overstated by \$12,485 and \$9,131, respectively. The Township's accompanying financial statements and accounting system fund balances have been adjusted to correct these errors.

The Township should implement procedures to properly allocate salaries based upon the requirements in the ORC sections noted above, guidance from Auditor of State Bulletin 2013-002, and certifications prepared by Township officials to provide for accurate fund balances. Failure to properly allocate officials' salaries in accordance with the above ORC sections, Auditor of State Bulletin 2013-002, and certifications could lead to misallocation of funds, misstated financial statements, and overspending of the Township's budget.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2015-002

Non-Compliance

Ohio Rev. Code § 135.14(B)(4) requires that subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State (TOS). The TOS issues certificates indicating that the subdivision treasurer has successfully completed the continuing education program. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only:

- Interim deposits pursuant to Ohio Rev. Code § 135.14 (B)(3) STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6)
- No-load money market mutual funds pursuant to Ohio Rev. Code § 135.14 (B)(5)

Additionally, **Ohio Rev. Code § 135.14(O)(1)** states Investments or deposits under Section 135.14 cannot be made unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State, with the following two exceptions:

- Per Ohio Rev. Code § 135.14(O)(2), if a written investment policy is not filed with the Auditor of State, the treasurer or governing board can invest only in interim deposits, STAR Ohio, or no-load money market mutual funds.
- Per Ohio Rev. Code § 135.14(O)(3), a subdivision whose average annual investment portfolio is \$100,000 or less need not file an investment policy, provided that the treasurer or governing board certifies to the Auditor of State that the treasurer or governing board will comply and is in compliance with the provisions of Sections 135.01 to 135.21.

During 2015 and 2014, the Township did not have an investment policy in place. The Township filed an exemption with the Auditor of State indicating that the Township should be exempt from filing an investment policy due to only investing in certificates of deposits and no other investments. Contrary to this exemption filed with the Auditor of State, the Township had a \$500,000 sweep account in each year with Greenville National Bank. Sweep accounts are eligible investments per Ohio Law; however, sweep accounts do not meet the allowable exceptions noted above that would permit an exemption to be filed. Additionally, the Fiscal Officer did not provide documentation of continuing education training attendance during 2015 or 2014. The TOS database indicated that the Fiscal Officer filed an exemption during 2014; however, the sweep account does not meet the allowable provisions to file an exemption.

To reduce the risk of loss of public funds, the Township should take steps to approve an investment policy and file with the Auditor of State to verify that the proper investments and deposits are being held in future reporting periods. The Fiscal Officer should also attend annual TOS training as required.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2015-003

Material Weakness

The Township presented its 2015 and 2014 financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. The following errors noted in the Township's financial statements were determined to be qualitatively or quantitatively material and required audit adjustments to properly present the Township's financial activity:

- **Governmental Accounting Standards Board (GASB) Statement No. 54 par. 16, *Fund Balance Reporting and Governmental Fund Type Definitions*** (GASB codification 1800.176) requires that when the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Stated differently, if appropriations (temporary or annual) exceed estimated receipts (not resources), the excess is to be assigned as it uses existing fund balance at year end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance. The Township did not include the \$318,165 excess of 2016 appropriations over estimated receipts as assigned fund balance in the General Fund for 2015, and \$331,405 excess of 2015 appropriations over estimated receipts as assigned fund balance in the General Fund for 2014. The Township also did not report year end encumbrances for the General Fund as assigned fund balance (\$2,500 for 2015 and \$2,000 for 2014).
- **Governmental Accounting Standards Board (GASB) Statement No. 54 par. 10, *Fund Balance Reporting and Governmental Fund Type Definitions*** (GASB codification 1800.170), indicates, in part, 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 should be reported as committed fund balance. **Auditor of State Bulletin 2011-004** further states that when the Road and Bridge Fund is funded by property taxes with inside millage, that the constraint on the resources is internally imposed by the Township Trustees and must be recorded as committed fund balance. The Township's Road and Bridge Fund receives property taxes from inside millage and reported the fund balance in 2015 and 2014 of \$77,968 and \$83,000, respectively, as restricted fund balance rather than as committed fund balance.
- The Township recorded 2015 homestead and rollback received from the state, net of related fees as Intergovernmental receipts in the General Fund, and 2014 homestead and rollback received from the state, net of related fees as Taxes receipts entirely in the General Fund. These homestead and rollback receipts should have been posted at gross to Intergovernmental and allocated to the General Fund, Fire District Funds, and Road & Bridge Fund. Additionally, a transfer station receipt for \$540 was posted as Intergovernmental receipts in 2014 in the General Fund rather than Charges for Services. Therefore, 2015 General Fund Intergovernmental receipts were overstated, cash balances were overstated, and expenses were understated by \$9,940, \$10,106, and \$166, respectively, and 2014 General Fund Taxes receipts were overstated, cash balances were overstated, Charges for Services were understated, and Intergovernmental were understated by \$11,818, \$10,200, \$540, and \$1,078, respectively. 2015 Special Revenue Intergovernmental receipts, related expenses, and cash balances were understated by \$10,276, \$170, and \$10,106, respectively, and 2014 Special Revenue Intergovernmental receipts, related expenses, and cash balances were understated by \$10,486, \$268, and \$10,200, respectively. The Township's accounting system fund balances have been adjusted to correct these errors.
- During 2015 the Township paid Liberty Township \$2,776 for the first half of fire protection. The Township paid the contract fees from the Motor Vehicle License Tax fund; however, per the fire contract the Township should have paid the fire contract fees from the Fire District Fund. The Township's accounting system fund balances have been adjusted to correct this error.

- During 2015 and 2014, the Township held a bequest fund for the benefit of outside parties in a savings account with Greenville National Bank. The book balance of the bequest fund was \$630 while the bank balance was \$612. Therefore, the General Fund was understated by \$18 and the bequest fund, presented on the fiduciary statement was overstated by \$18. The Township's accounting system fund balances have been adjusted to correct this error.

The following errors noted in the Township's financial statements were determined to be immaterial and did not require adjustments to properly present the Township's financial activity:

- **Governmental Accounting Standards Board (GASB) Statement No. 54 par. 5 (GASB Codification 1800.165)**, states, in part, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. **Auditor of State Bulletin 2011-004** further states that the Zoning Fund has no constraint imposed on the resources, either internally or externally, and therefore, must be reported as part of the general fund unassigned balance. During 2015 and 2014, the Township reported the Zoning Fund as part of the Special Revenue funds rather than the General Fund. Therefore, the 2015 General Fund balance beginning balance, receipts, expenditures, and ending balance were understated and the Special Revenue Funds were overstated by \$1,103; \$1,512; \$1,391; and \$1,224, respectively. The 2014 General Fund balance beginning balance, receipts, expenditures, and ending balance was understated and the Special Revenue Funds were overstated by \$1,039; \$1,305; \$1,241; and \$1,103 respectively.

The Township should implement control procedures related to recording of Township financial activity to ensure that all financial activity is recorded correctly. The Township should utilize the UAN manual and Ohio Township Handbook to aid in recording financial activity. The Township should review the requirements noted in GASB 54 and Auditor of State Bulletin 2011-004. Failure to properly record financial activity could result in inaccurate financial statements, future audit adjustments, and decisions made by the Township Trustees based on inaccurate financial information.

Officials' Response:

Officials did not provide a response to this finding.



Dave Yost • Auditor of State

NEAVE TOWNSHIP

DARKE 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
MARCH 28, 2017