



Dave Yost • Auditor of State

**PUSHETA TOWNSHIP
AUGLAIZE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Pusheta Township
Auglaize County
15930 Wapakoneta-Fisher Road
Wapakoneta, Ohio 45895

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 Pusheta Township, Auglaize 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 1B 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 Pusheta Township, Auglaize 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 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 13, 2017

**PUSHETA TOWNSHIP
AUGLAIZE 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$27,733	\$93,433	\$121,166
Licenses, Permits, and Fees	800		800
Intergovernmental	28,845	122,898	151,743
Earnings on Investments	5	7	12
Miscellaneous	4,206	7,752	11,958
<i>Total Cash Receipts</i>	<u>61,589</u>	<u>224,090</u>	<u>285,679</u>
Cash Disbursements			
Current:			
General Government	39,833		39,833
Public Safety		43,800	43,800
Public Works		70,648	70,648
Health	4,250		4,250
Other	9,107	1,627	10,734
Capital Outlay		57,698	57,698
Debt Service:			
Principal Retirement		13,955	13,955
Interest and Fiscal Charges		724	724
<i>Total Cash Disbursements</i>	<u>53,190</u>	<u>188,452</u>	<u>241,642</u>
<i>Net Change in Fund Cash Balances</i>	8,399	35,638	44,037
<i>Fund Cash Balances, January 1</i>	<u>27,616</u>	<u>68,326</u>	<u>95,942</u>
Fund Cash Balances, December 31			
Restricted		67,090	67,090
Committed		36,874	36,874
Assigned	36,015		36,015
<i>Fund Cash Balances, December 31</i>	<u>\$36,015</u>	<u>\$103,964</u>	<u>\$139,979</u>

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

**PUSHETA TOWNSHIP
AUGLAIZE 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	\$23,665	\$82,726	\$0	\$106,391
Licenses, Permits and Fees	500			500
Intergovernmental	12,499	116,377	70,600	199,476
Earnings on Investments	65	55		120
Miscellaneous	1,800	9,083		10,883
<i>Total Cash Receipts</i>	<u>38,529</u>	<u>208,241</u>	<u>70,600</u>	<u>317,370</u>
Cash Disbursements				
Current:				
General Government	51,519			51,519
Public Safety		42,524		42,524
Public Works		80,602		80,602
Health	4,250			4,250
Other		520		520
Capital Outlay		63,977	70,600	134,577
Debt Service				
Principal Retirement		13,266		13,266
Interest and Fiscal Charges		1,413		1,413
<i>Total Cash Disbursements</i>	<u>55,769</u>	<u>202,302</u>	<u>70,600</u>	<u>328,671</u>
<i>Net Change in Fund Cash Balances</i>	<u>(17,240)</u>	<u>5,939</u>	<u>0</u>	<u>(11,301)</u>
<i>Fund Cash Balances, January 1</i>	<u>44,856</u>	<u>62,387</u>	<u>0</u>	<u>107,243</u>
Fund Cash Balances, December 31				
Restricted		54,931		54,931
Committed		13,395		13,395
Assigned	27,616			27,616
<i>Fund Cash Balances, December 31</i>	<u>\$27,616</u>	<u>\$68,326</u>	<u>\$0</u>	<u>\$95,942</u>

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

**PUSHETA TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 Pusheta Township, Auglaize 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. The Township contracts with the Village of Botkins and St. John's Fire and Rescue Department, Inc. for fire services and the Anna Rescue Squad, Inc. for emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members. Member Townships pay annual contributions to fund OTARMA.

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

All Township funds are held in interest bearing accounts.

D. 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.

**PUSHETA TOWNSHIP
AUGLAIZE COUNTY**

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

1. Summary of Significant Accounting Policies (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 Fund - This fund receives property tax money to provide fire and rescue services for the Township.

3. Capital Project Funds

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

Issue I Fund - The Township received a grant from the State of Ohio in 2014 to repave Taylor Road

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

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

**PUSHETA TOWNSHIP
AUGLAIZE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

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.

**PUSHETA TOWNSHIP
AUGLAIZE COUNTY**

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

2. Equity in Pooled Deposits

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$139,979	\$95,942

Deposits: Deposits are insured by the Federal Depository Insurance Corporation

3. Budgetary Activity

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

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,252	\$61,589	\$17,337
Special Revenue	191,287	224,090	32,803
Total	\$235,539	\$285,679	\$50,140

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,869	\$53,190	\$18,679
Special Revenue	259,613	188,452	71,161
Total	\$331,482	\$241,642	\$89,840

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,060	\$38,529	\$2,469
Special Revenue	\$178,531	\$208,241	\$29,710
Capital Projects	70,600	70,600	0
Total	\$285,191	\$317,370	\$32,179

**PUSHETA TOWNSHIP
AUGLAIZE COUNTY**

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

3. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,917	\$55,769	\$25,148
Special Revenue	\$240,918	\$202,302	\$38,616
Capital Projects	70,600	70,600	0
Total	\$392,435	\$328,671	\$63,764

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. Debt

The Township obtained financing to lease/purchase a dump truck/snow plow for Township road purposes in 2011. In 2014, the Township paid \$13,266 and \$1,413 in principal and interest, respectively. The final payment of the agreement was made in 2015 in the amount of \$13,955 and \$725 for principal and interest, respectively. The Township had no debt outstanding at December 31, 2015.

6. Retirement System

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 plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. 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.

**PUSHETA TOWNSHIP
AUGLAIZE COUNTY**

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

7. Risk Management (Continued)

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.

	<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 \$2,000.

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.

**PUSHETA TOWNSHIP
AUGLAIZE COUNTY**

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

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$4,261	\$4,300

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.

8. Subsequent Events

On November 8, 2016, voters approved a permanent 1 mill levy for fire protection.

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

Pusheta Township
Auglaize County
15930 Wapakoneta-Fisher Road
Wapakoneta, Ohio 45895

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 Pusheta Township, Auglaize 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 February 13, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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. We consider findings 2015-001 and 2015-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-003 described in the accompanying schedule of findings to be a significant deficiency.

Pusheta Township
Auglaize County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

February 13, 2017

**PUSHETA TOWNSHIP
AUGLAIZE 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 – Financial Statement Errors

The Township prepared its financial statements on the cash accounting basis for 2015 and 2014. The Township's financial statements contained errors which resulted in numerous reclassifications and adjustments to correctly report the financial activity during the audit period as follows:

2015 General Fund

- Miscellaneous Revenue was overstated by \$6,602
- General Government Expenditures were overstated by \$6,602
- Property Tax Revenue was overstated by \$4,907.
- Intergovernmental Revenue was understated by \$4,907
- Unassigned Fund Balance was overstated by \$36,015
- Assigned Fund Balance was understated by \$36,015

2015 Special Revenue Funds

- Property Tax Revenue was overstated by \$16,035
- Intergovernmental Revenue was understated by \$16,035
- Principal Retirement Expenditures were understated by \$13,955
- Interest and Fiscal Charges Expenditures were understated by \$724
- Capital Outlay Expenditures were overstated by \$14,679
- Unassigned Fund Balance was overstated by \$103,964
- Committed Fund Balance was understated by \$36,874
- Restricted Fund Balance was understated by \$ 67,090

2014 General Fund

- Unassigned Fund Balance was overstated by \$27,616
- Assigned Fund Balance was understated by \$27,616

2014 Special Revenue Funds

- Principal Retirement Expenditures were understated by \$13,266
- Interest and Fiscal Charges Expenditures were understated by \$1,413
- Capital Outlay Expenditures were overstated by \$14,679
- Unassigned Fund Balance was overstated by \$68,326
- Committed Fund Balance was understated by \$13,395
- Restricted Fund Balance was understated by \$54,931

Adjustments and reclassifications to correct the errors above are reflected in the accompanying financial statements.

**FINDING NUMBER 2015-001
(Continued)**

The following misstatements were not adjusted in the accompanying financial statements:

- In the General Fund for 2014, Property Tax Revenue was overstated by \$1,891 and Intergovernmental Revenue was understated by \$1,891.
- In the Special Revenue Funds for 2014, Property Tax Revenue was overstated by \$5,061 and Intergovernmental Revenue was understated by \$5,061.
- In the General Fund for 2015, Miscellaneous Revenue was overstated by \$375 and General Government Expenditures were overstated by \$375.

Failure to account for transactions properly and prepare accurate annual financial statements could lead to materially misstated financial statements and financial statement information that is not consistent and reliable.

The Township should implement procedures to review the records and annual financial statements for accuracy to ensure that all financial activity is accounted for correctly. The Township should also consider utilizing the Uniform Accounting Network (UAN) to assist in the financial reporting process.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-002

Material Weakness – Equity Classification

The objective of Governmental Accounting Standards Board (GASB) Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Paragraph 18 of GASB 54 (GASB codification 1800.178) states that fund balance classifications should depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund could include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. Typically, the general fund also would include an unassigned amount.

The Township incorrectly classified all fund balances as unassigned. As a result, a reclassification was made for each existing fund balance at year-end 2015 and 2014. The amount of the related errors is discussed in finding number 2015-001.

Based upon GASB 54 and Auditor of State Bulletin 2011-004 the following fund balances were reclassified as Restricted: Motor Vehicle License Tax Fund (2011), Gasoline Tax Fund (2021), Fire District Fire Apparatus (2401), and Permissive Motor Vehicle License (2231). The Road and Bridge Fund (2031) was reclassified as Committed.

**FINDING NUMBER 2015-002
(Continued)**

Additionally, GASB 54 paragraph 16 (GASB codification 1800.176) states, in part, that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. Therefore, the General Fund balance at year end 2015 and 2014 was reclassified as assigned fund balance because the subsequent year appropriations for each year appropriated the subsequent year's estimated resources and the entire unencumbered fund balance. This only applies to the general fund because it is the only fund with a positive unassigned fund balance.

Failure to correctly classify fund balances could lead to misleading financial statement information related to the nature of each fund's balance.

The Township should implement procedures to review GASB 54 and Auditor of State Bulletin 2011-004 prior to completion of the financial statements to verify that all ending fund balances comply with the applicable requirements.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-003

Significant Deficiency – Monitoring of Financial Activity

To assist in the management of financial resources, a governing body should periodically review and approve financial information. In addition, to help ensure accountability over recorded activity and depository balances, the governing body should review and approve monthly bank-to-book reconciliations and bank statements. Except for approving bills for payment, there is no evidence to suggest that the Trustees received any financial reports or other financial information in 2014 or 2015.

It is imperative for Trustees to provide an oversight function in an entity that lacks segregation of duties as all accounting functions are controlled by one individual, the Fiscal Officer. The failure of the Trustees to monitor the financial activity of the Township could result in financial objectives not being achieved; violation of Ohio Rev. Code laws or grant requirements; or errors and/or irregularities occurring and not being detected in a timely manner.

The Township should implement monitoring procedures that require the monthly review of financial reports such as budget versus actual revenue and expenditure reports and fund balance reports, along with review of monthly bank-to-book reconciliations accompanied with bank statements. Evidence of the review and approval of financial reports should be indicated by signatures or initials on the documents reviewed and/or approval in the minutes.

Officials' Response: We did not receive a response from Officials to this finding.

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Dave Yost • Auditor of State

PUSHETA TOWNSHIP

AUGLAIZE 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**