



Dave Yost • Auditor of State

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Shawnee Township
Allen County
2530 Fort Amanda Road
Lima, Ohio 45804

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Shawnee Township, Allen 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 II 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 Shawnee Township, Allen 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 Note1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Government'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

December 20, 2017

**SHAWNEE TOWNSHIP
ALLEN 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	\$180,103	\$3,169,786		\$3,349,889
Charges for Services		376,517		376,517
Licenses, Permits and Fees	11,325			11,325
Fines and Forfeitures		7,901		7,901
Intergovernmental	227,459	1,543,972	\$535,626	2,307,057
Special Assessments	14,217			14,217
Earnings on Investments	11,958	1,435		13,393
Miscellaneous	7,063	234,511		241,574
<i>Total Cash Receipts</i>	<u>452,125</u>	<u>5,334,122</u>	<u>535,626</u>	<u>6,321,873</u>
Cash Disbursements				
Current:				
General Government	407,762			407,762
Public Safety	128,190	3,905,586		4,033,776
Public Works	33,531	753,434		786,965
Health	64,480	23,489		87,969
Capital Outlay	263,495	49,048	535,626	848,169
<i>Total Cash Disbursements</i>	<u>897,458</u>	<u>4,731,557</u>	<u>535,626</u>	<u>6,164,641</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(445,333)</u>	<u>602,565</u>		<u>157,232</u>
Other Financing Receipts				
Sale of Capital Assets		13,505		13,505
<i>Net Change in Fund Cash Balances</i>	<u>(445,333)</u>	<u>616,070</u>		<u>170,737</u>
<i>Fund Cash Balances, January 1</i>	<u>1,995,189</u>	<u>2,717,165</u>		<u>4,712,354</u>
Fund Cash Balances, December 31				
Restricted		2,682,076		2,682,076
Committed		629,380		629,380
Assigned	1,002,251	21,779		1,024,030
Unassigned (Deficit)	547,605			547,605
<i>Fund Cash Balances, December 31</i>	<u>\$1,549,856</u>	<u>\$3,333,235</u>	<u>\$0</u>	<u>\$4,883,091</u>

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

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

	<u>Agency</u>
Operating Cash Receipts	
Licenses, Permits and Fees	<u>\$600</u>
Operating Cash Disbursements	
Other	<u>200</u>
<i>Operating Income</i>	<u>400</u>
<i>Net Change in Fund Cash Balances</i>	400
<i>Fund Cash Balances, January 1</i>	<u>200</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$600</u></u>

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

**SHAWNEE TOWNSHIP
ALLEN 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$179,461	\$3,100,751	\$3,280,212
Charges for Services		361,946	361,946
Licenses, Permits and Fees	9,246		9,246
Fines and Forfeitures		11,425	11,425
Intergovernmental	197,605	1,685,005	1,882,610
Earnings on Investments	18,797	4,488	23,285
Miscellaneous	20,559	63,354	83,913
<i>Total Cash Receipts</i>	<u>425,668</u>	<u>5,226,969</u>	<u>5,652,637</u>
Cash Disbursements			
Current:			
General Government	486,258		486,258
Public Safety	132,699	4,050,922	4,183,621
Public Works	21,092	996,056	1,017,148
Health	60,000		60,000
Capital Outlay	109,084	258,399	367,483
<i>Total Cash Disbursements</i>	<u>809,133</u>	<u>5,305,377</u>	<u>6,114,510</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(383,465)</u>	<u>(78,408)</u>	<u>(461,873)</u>
Other Financing Receipts			
Sale of Capital Assets	459,999	14,700	474,699
<i>Fund Cash Balances, January 1</i>	<u>1,918,655</u>	<u>2,780,873</u>	<u>4,699,528</u>
Fund Cash Balances, December 31			
Restricted		2,362,256	2,362,256
Committed		330,740	330,740
Assigned	1,208,272	24,169	1,232,441
Unassigned (Deficit)	786,917		786,917
<i>Fund Cash Balances, December 31</i>	<u>\$1,995,189</u>	<u>\$2,717,165</u>	<u>\$4,712,354</u>

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

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

	<u>Agency</u>
Operating Cash Receipts	
Licenses, Permits and Fees	<u>\$0</u>
Operating Cash Disbursements	
Other	<u>26,349</u>
<i>Operating (Loss)</i>	<u>(26,349)</u>
<i>Net Change in Fund Cash Balances</i>	(26,349)
<i>Fund Cash Balances, January 1</i>	<u>26,549</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$200</u></u>

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

Shawnee Township
Notes to the Financial Statements
January 1, 2014 through December 31, 2015

I. REPORTING ENTITY

The SHAWNEE TOWNSHIP, Allen County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees and has an elected Township Fiscal Officer. The Township provides road and bridge maintenance, fire protection and emergency medical services, police protection, and cemetery maintenance.

A. Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in two jointly governed organizations and a public entity risk pool. Notes to the financial statements provide additional information for these entities.

These organizations are:

Public Entity Risk Pool:

OTARMA- Shawnee 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. OTARMA is a member to the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductibles.

Jointly Governed Organizations:

Allen Water District- The Allen Water District, (the District), was created by the Court of Common Pleas in Allen County in accordance with the provisions of Section 6119.07 to provide water services to residents of Bath, Perry, and Shawnee Townships. A seven (7) member appointed Board of Trustees manage the District. Each member appoints a member and those members appoint at large members. Financial information can be obtained by contacting Edward L. Krohn, Treasurer, at 4500 W. Breese Rd., Lima, Ohio 45806.

Lima–Allen County Regional Planning Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant Coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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).

Shawnee Township
Notes to the Financial Statements
January 1, 2014 through December 31, 2015
(Continued)

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

B. Deposits and Investments

The checking account is valued at cost.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Police District Fund – This fund receives property tax money to maintain police protection services to the Township.

Fire Fund – This fund receives property tax money to maintain fire protection and emergency medical services to the Township.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following capital projects fund:

Ft. Shawnee Industrial Drive – This fund received a State grant for public roadwork improvements.

4. Fiduciary Funds

The Townships fiduciary funds consist of two agency funds, purely custodial in nature and used to hold resources for individuals, organizations or other governments. The Township's Agency Funds account for the insurance of the demolition, clean-up, or repair of private property buildings damaged by fires, and performance bonds for driveway permits, roadside tiled taps, and construction within the road right of way.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually

Shawnee Township
Notes to the Financial Statements
January 1, 2014 through December 31, 2015
(Continued)

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 unencumbered 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. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

E. 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.

Shawnee Township
Notes to the Financial Statements
January 1, 2014 through December 31, 2015
(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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

III. Equity in Pooled Investments

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$4,883,691	\$4,712,554

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

IV. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2015 and 2014 follows:

<u>2015 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 729,174	\$ 452,125	(277,049)
Special Revenue	\$ 5,221,031	\$ 5,337,617	126,586
Capital Project	\$ 535,626	\$ 535,626	0
Fiduciary	\$ 28,000	\$ 600	(27,400)

<u>2015 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$ 1,904,709	\$ 897,458	1,007,251
Special Revenue	\$ 6,227,644	\$ 4,731,557	1,496,086
Capital Project	\$ 535,626	\$ 535,626	0
Fiduciary	\$ 25,300	\$ 200	(25,100)

<u>2014 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 775,610	\$ 885,667	110,057
Special Revenue	\$ 5,651,140	\$ 5,241,669	(409,471)
Fiduciary	\$ 28,000	\$ 0	(28,000)

Shawnee Township
Notes to the Financial Statements
January 1, 2014 through December 31, 2015
(Continued)

<u>Fund Type</u>	<u>2014 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$ 1,366,765	\$ 851,619	515,146
Special Revenue	\$ 6,518,915	\$ 5,305,377	1,213,538
Fiduciary	\$ 29,349	\$ 26,349	3,000

Some receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10(D).

In 2015, a separate fund was not established to account for a State Grant which violated Ohio Revised Code Section 5705.10(D). Since this Grant had been budgeted for in the General Fund, estimated receipts and appropriations were adjusted to follow the cash activity in the budget versus actual table above.

V. PROPERTY TAXES

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. 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.

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

VI. DEFINED BENEFIT PENSION PLANS

The Township's certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirements System (OPERS). OP&F and OPERS are cost-sharing, multiple employer plans. The Ohio Revised Code prescribes these plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For January 1, 2014 through June 30, 2014, OP&F participants contributed 10.75% of their gross wages, for the period July 1, 2014 through June 30, 2015 the rate increased to 11.5%, and for the period July 1, 2015 through December 31, 2015 the rate increased to 12.25%. For the period January 1, 2014 to December 31, 2015, the Township contributed an amount equal to 24% of gross wages for firefighters and 19.5% for full time police officers.

For the period January 1, 2014 through December 31, 2015, part time police officers contributed 13% of their gross wages to OPERS and other employees contributed 10%. The Township contributed an amount equal to 18.10% of the part time police officers' gross wages and 14% for the other employees.

The Township has paid all contributions required through December 31.

Shawnee Township
Notes to the Financial Statements
January 1, 2014 through December 31, 2015
(Continued)

VII. RISK MANAGEMENT

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

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

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

Casualty & Property Coverage

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Assets – Unrestricted	\$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 \$26,076.

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.

Shawnee Township
Notes to the Financial Statements
January 1, 2014 through December 31, 2015
(Continued)

Contributions to OTARMA

2015	\$49,200
2014	\$49,894

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.

VIII. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding and disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

IX. SHAWNEE TOWNSHIP CEMETERY FUND

On April 13, 2015 the Shawnee Board of Trustees met with the Shawnee Cemetery Board members for the purpose of adopting the Shawnee Township Cemetery Resolution 2015-1. The purpose of this resolution is 1) for the Shawnee Cemetery to be treated as a component unit of Shawnee Township and a direct division of Shawnee Township, and no longer act as its own entity (2) for the members of the Shawnee Cemetery Board to serve as an Advisory Committee with authority to manage and operate ongoing business of the Cemetery under the instruction and policies set forth by the Shawnee Township Board of Trustees (3) for the Fiscal Officer of Shawnee Township to create a Cemetery Fund in the Shawnee Township Funds for segregating and recording income and expense and the financial activity of the cemetery, within rules set forth by the ORC; and, whereas, the Township Trustees set forth an effective date of April 20, 2015 for said transition over the Shawnee Township Cemetery, and adopt the terms of employment and policies for the Shawnee Township. The payment from the Shawnee Cemetery Board, in the amount of \$68,489, was recorded as Miscellaneous Receipts in the Special Revenue Cemetery Fund.

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Dave Yost • Auditor of State

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

Shawnee Township
Allen County
2530 Fort Amanda Road
Lima, Ohio 45804

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 Shawnee Township, Allen 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 20, 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 significant deficiencies.

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 2015-003 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 findings 2015-002 and 2015-004 described in the accompanying schedule of findings to be significant deficiencies.

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 2015-003 and 2015-004.

Township's Response to Findings

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

Purpose of this Report

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

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

December 20, 2017

**SHAWNEE TOWNSHIP
ALLEN 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 – Accuracy of Financial Reporting

The Township should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to help ensure that the information provided to the users is complete and accurate.

The following reporting errors were identified:

- At December 31, 2015 and 2014, subsequent year appropriations in the General Fund exceeded estimated receipts by \$1,002,251 and \$1,165,786, respectively and were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 16 (GASB Codification 1800.176) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states 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;
- General Fund December 31, 2014 encumbrances in the amount of \$42,486 were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 13 (GASB Codification 1800.173) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance;
- At December 31, 2015 and 2014, the Road and Bridge Fund balance, in the amount of \$629,380 and \$330,740, respectively, which is derived from in-side millage from property taxes allocated by the Trustees, was classified as restricted fund balance instead of committed fund balance. 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 per GASB Statement No. 54, paragraph 10 (GASB Codification 1800.170);
- During 2015, the Shawnee Township Cemetery Association dissolved and the balance was paid into the Township. The balance of \$68,489 was recorded as an adjustment to the beginning balance of the Special Revenue Cemetery Fund instead of being recorded as miscellaneous receipts; and
- The notes to the financial statements included errors in the reporting of significant Special Revenue Funds, the amounts reported as budgeted receipts and expenditures, and the contribution amounts required by the Ohio Police and Fire Pension Fund (OP&F).

The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors.

Financial reporting errors impact the users' understanding of the financial statements and the ability to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The errors identified should be reviewed by the Fiscal Officer to help prevent similar errors in subsequent years. In addition, the Fiscal Officer should review governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> for guidance in recording financial activity. The Trustees should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements.

OFFICIALS' RESPONSE: Our financial issues concern our fiscal officer's illness. We have subsequently hired an assistant fiscal officer to perform those duties.

FINDING NUMBER 2015-002

Significant Deficiency – EMS Receipts

When contracting with a third party administrator (Administrator) for the billing of emergency medical services (EMS) runs, the Township should have procedures and/or controls in place to monitor the billing and collection of receipts and to help ensure compliance with the contract. For 2015 and 2014, the following weaknesses were identified:

- The Township was unable to reconcile the receipts recorded in the accounting system for 2015 or 2014 to the amounts reported by the administrator for the same periods. In 2015, the amount reported was \$292,283 and the amount recorded by the Township was \$305,767. In 2014, the amount reported was \$293,778 and the amount recorded by the Township, after taking into account an audit adjustment of (\$7,735), was \$292,681;
- Supporting documentation was not maintained for receipt #415-2014, in the amount of \$172, recorded in the accounting system;
- There was no evidence that the Trustees monitored delinquent accounts even though the contract with the Administrator states an aged accounts receivable report is available on a requested basis, and;
- The contract with the Administrator requires a final notification within 61-90 days after service, or disposition from insurances, second telephone call to patient to determine payment arrangements, ending in notification to the Township whom will then determine if there will be a bad debt write off, courtesy write off or collection proceeding. In 2015 and 2014, \$10,012 and \$22,017, respectively, of accounts were written off without evidence of approval by the Trustees.

These deficiencies impacted the Township's ability to monitor and record receipts from EMS runs. Such control deficiencies can result in errors and/or irregularities that may not be detected timely.

The Trustees, Fiscal Officer, and EMS personnel should review the contract with the Administrator to further the understanding of the responsibilities of both the Administrator and the Township. Procedures and/or controls should then be developed to ensure the Township is utilizing all reports and information available from the Administrator. While it may be more efficient for the EMS personnel to review and perform some of the control procedures over EMS receipts, the Trustees should still be provided with Administrator reports to monitor the billing and collection of the receipts. In addition, the Trustees should approve the write-offs of accounts.

OFFICIALS' RESPONSE: Our financial issues concern our fiscal officer's illness. We have subsequently hired an assistant fiscal officer to perform those duties.

FINDING NUMBER 2015-003

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 5705.09(F) provides that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. The Township was awarded a reimbursable State grant in 2015 for road construction. Reimbursements in the amount of \$535,626, were recorded in the General Fund, which had incurred the initial costs, instead of establishing a separate capital projects fund.

The failure to establish a separate fund weakens financial accountability and inhibits the ability to comply with the compliance requirements of the grant.

The accompanying financial statements have been adjusted to present these receipts and the related disbursements in a capital projects fund. Although this project has been completed, if similar activity occurs in a subsequent period the grant receipts and related disbursements should be recorded in a capital projects fund.

As part of the monitoring process, the Trustees should review the accounting records to help ensure a separate fund has been established for restricted receipts. The Fiscal Officer and Trustee should utilize resources, such as those found at <http://www.ohioauditor.gov> for guidance.

OFFICIALS' RESPONSE: Our financial issues concern our fiscal officer's illness. We have subsequently hired an assistant fiscal officer to perform those duties.

FINDING NUMBER 2015-004

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code § 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

- In 2015, a federal grant in the amount of \$2,032 was recorded in the Special Revenue Police District Fund instead of the Special Revenue Federal Grant Fund which had initially incurred the disbursement. When attempting to correct this error, the receipt was adjusted out of the Federal Law Enforcement Fund;
- In 2014, a local government revenue receipt in the amount of \$8,966 was recorded in the Special Revenue Gasoline Tax Fund instead of the General Fund; and
- In 2014, a local government revenue receipt in the amount of \$7,735 was recorded in the Special Revenue EMS Medical Billing Fund instead of the General Fund.

The failure to record receipts in the correct fund impacts the users understanding of the available resources in each fund, may result in the illegal disbursement of restricted money, may materially misstate the financial statements, and makes it more difficult to detect irregularities.

The accompanying financial statements and the accounting records have been adjusted to correct these errors.

FINDING NUMBER 2015-004
(Continued)

The errors identified above should be reviewed by the Fiscal Officer to help ensure that similar errors are not recorded in the accounting records and reported on the financial statements in subsequent years. The Trustees should periodically review the accounting records to help identify and correct errors in a timely manner. In addition, the Fiscal Officer should review governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> for guidance in recording financial activity.

OFFICIALS' RESPONSE: Our financial issues concern our fiscal officer's illness. We have subsequently hired an assistant fiscal officer to perform those duties.

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2013-001	Finding for Recovery – Fire Protection Service and Ambulance Run – Repaid Under Audit.	Corrected	A 2013 billing error to Joint Systems Manufacturing for contract services caused a receipt to be delayed. The issue was resolved in 2014 and the receipt of \$13,528.25 was posted on 5/16/2014.
2013-002	Material Weakness – Advances.	Corrected	In 2012, the Board approved Resolution 71-12 to advance funds from the General Fund to the EMS Fund, but the advance was never recorded. In 2013, there was a repayment of \$70,146.67 to the General Fund for the advance causing an overpayment in the General Fund. A fund balance audit adjustment of \$70,146.67 was prepared in 2014 to correct the error.
2013-003	Material Weakness – Financial Reporting	Continuing – Repeated in Finding 2015-004	Fund balance audit adjustments were done in 2014 to correct transactions posted to incorrect line items.

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Dave Yost • Auditor of State

SHAWNEE TOWNSHIP

ALLEN 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
FEBRUARY 6, 2018**