



Balestra, Harr & Scherer, CPAs, Inc.

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

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PICKAWAY TOWNSHIP
PICKAWAY COUNTY

REGULAR AUDIT

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



Dave Yost • Auditor of State

Board of Trustees
Pickaway Township
6166 Zane Trail Road
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of Pickaway Township, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Pickaway Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 7, 2016

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Pickaway Township
Pickaway County, Ohio
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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Pickaway Township
Pickaway County
6166 Zane Trail Rd
Circleville, Ohio 43113

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 Pickaway Township, Pickaway 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 adverse and qualified 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, to satisfy requirements.

Although the effects of the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Government 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.

Basis for Additional Opinion Qualification

We were unable to obtain sufficient evidence to support the completeness or accuracy of payroll disbursements for Emergency Medical Services (EMS) or road maintenance employees reported in the special revenue funds during 2014 and 2015 and payroll disbursements in the general fund for 2014 and 2015. These unsupported transactions represent 27% of 2014 and 30% of 2015 special revenue funds cash disbursements and 39% of 2014 and 40% of 2015 of general fund cash disbursements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the general fund and combined special revenue cash balances of Pickaway Township, Pickaway 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.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the permanent fund cash balances of Pickaway Township, Pickaway 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 June 30, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
June 30, 2016

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts				
Property and Other Local Taxes	\$ 236,533	\$ 123,675	\$ -	\$ 360,208
Intergovernmental	9,863	120,402	-	130,265
Charges for Services	-	197,218	-	197,218
Licenses, Permits and Fees	2,921	-	-	2,921
Interest	397	44	-	441
<i>Total Cash Receipts</i>	<u>249,714</u>	<u>441,339</u>	<u>-</u>	<u>691,053</u>
Cash Disbursements				
Current:				
General Government	187,171	-	-	187,171
Public Safety	-	283,669	-	283,669
Public Works	744	173,969	-	174,713
Health	7,059	-	-	7,059
Capital Outlay	-	478	-	478
Debt Service:				
Principal Retirement	-	31,228	-	31,228
Interest and Fiscal Charges	-	1,322	-	1,322
<i>Total Cash Disbursements</i>	<u>194,974</u>	<u>490,666</u>	<u>-</u>	<u>685,640</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>54,740</u>	<u>(49,327)</u>	<u>-</u>	<u>5,413</u>
Other Financing Sources				
Transfers In	-	25,000	-	25,000
Transfers Out	(25,000)	-	-	(25,000)
Other Financing Sources	4,278	-	-	4,278
<i>Total Other Financing Sources</i>	<u>(20,722)</u>	<u>25,000</u>	<u>-</u>	<u>4,278</u>
<i>Net Change in Fund Cash Balances</i>	34,018	(24,327)	-	9,691
<i>Fund Cash Balances, January 1</i>	<u>259,821</u>	<u>131,339</u>	<u>1,352</u>	<u>392,512</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,000	1,000
Restricted	-	107,012	352	107,364
Unassigned	293,839	-	-	293,839
<i>Fund Cash Balances, December 31</i>	<u>\$ 293,839</u>	<u>\$ 107,012</u>	<u>\$ 1,352</u>	<u>\$ 402,203</u>

See accompanying notes to the financial statements.

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts				
Property and Other Local Taxes	\$ 233,058	\$ 148,529	\$ -	\$ 381,587
Intergovernmental	7,335	108,324	-	115,659
Charges for Services	-	190,709	-	190,709
Licenses, Permits and Fees	2,966	-	-	2,966
Interest	361	105	-	466
<i>Total Cash Receipts</i>	<u>243,720</u>	<u>447,667</u>	<u>-</u>	<u>691,387</u>
Cash Disbursements				
Current:				
General Government	214,093	-	-	214,093
Public Safety	-	177,664	-	177,664
Public Works	-	295,923	-	295,923
Health	6,270	-	-	6,270
Capital Outlay	-	561	-	561
Debt Service:				
Principal Retirement	-	30,979	-	30,979
Interest and Fiscal Charges	-	1,570	-	1,570
<i>Total Cash Disbursements</i>	<u>220,363</u>	<u>506,697</u>	<u>-</u>	<u>727,060</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>23,357</u>	<u>(59,030)</u>	<u>-</u>	<u>(35,673)</u>
Other Financing Sources				
Advances In		93,000		93,000
Advances Out	(93,000)			(93,000)
Other Financing Sources	14,836	89	-	14,925
<i>Total Other Financing Sources</i>	<u>(78,164)</u>	<u>93,089</u>	<u>-</u>	<u>14,925</u>
<i>Net Change in Fund Cash Balances</i>	<u>(54,807)</u>	<u>34,059</u>	<u>-</u>	<u>(20,748)</u>
<i>Fund Cash Balances, January 1</i>	<u>314,628</u>	<u>97,280</u>	<u>1,352</u>	<u>413,260</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,000	1,000
Restricted	-	131,339	352	131,691
Unassigned (Deficit)	259,821	-	-	259,821
<i>Fund Cash Balances, December 31</i>	<u>\$ 259,821</u>	<u>\$ 131,339</u>	<u>\$ 1,352</u>	<u>\$ 392,512</u>

See accompanying notes to the financial statements.

**PICKAWAY TOWNSHIP
PICKAWAY 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 Pickaway Township, Pickaway County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Township Risk Management Authority (OTARMA) which is an insurance risk-sharing pool available to Ohio Townships. Note 7 provides additional information regarding this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosures 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. Cash and Deposits

The Township deposits all available funds in an interest earning checking account at a local commercial bank. All deposits are valued at cost.

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 reports all financial resources not accounted for and reported in another fund.

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

These funds account for the proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted or committed to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund – This fund receives tax money to pay for constructing, maintaining, and repairing Township roads and bridges.

Motor Vehicle License Tax Fund – This fund receives license tax receipts for constructing, maintaining, and repairing Township roads and bridges.

The Fire and Emergency Fund – This fund accumulates tax levy and charges for services receipts for the provision of fire protection and EMS services to the Township and contracting governments.

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

3. Permanent Fund

These funds account for and report assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

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

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.

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (continued)

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 acquisition of property, plant and equipments when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

	2015	2014
Demand Deposits	<u>\$ 402,203</u>	<u>\$ 392,512</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

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	\$ 195,057	\$ 253,992	\$ 58,935
Special Revenue	498,165	466,339	(31,826)
Permanent	-	-	-
Total	\$ 693,222	\$ 720,331	\$ 27,109

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 454,877	\$ 219,794	\$ 235,083
Special Revenue	612,161	490,666	121,495
Permanent	-	-	-
Total	\$ 1,067,038	\$ 710,460	\$ 356,578

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 245,800	\$ 258,556	\$ 12,756
Special Revenue	530,245	540,756	10,511
Permanent	3	-	(3)
Total	\$ 776,048	\$ 799,312	\$ 23,264

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 274,658	\$ 313,363	\$ (38,705)
Special Revenue	575,747	506,697	69,050
Permanent	1,602	-	1,602
Total	\$ 852,007	\$ 820,060	\$ 31,947

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to 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.

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$59,366	0.00%
Kingston National Bank – Tractor	0	3.60%
The Savings Bank	20,000	5.00%
Kingston National Bank – Dump Truck	55,456	2.95%
Total	\$134,822	

The Township issued an Ohio Public Works Commission (OPWC) note in 2007 to finance the replacement of a Township Road, to be repaid from the Gasoline Tax Fund over a twenty year period. In 2010, the Township received a loan in the amount of \$33,710 from the Kingston National Bank for the purchase of a new tractor. The loan is to be repaid over a period of 5 years from the Gasoline Tax Fund. In 2012, the Township received a loan in the amount of \$20,000 from the Savings Bank for the purchase of a rescue system. This loan was to be repaid in one installment in 2014 but there was no evidence of repayment. In 2013, the Township received a loan in the amount of \$93,302 from the Kingston National Bank for the purchase of a new dump truck. The loan is to be repaid over a 5 year period from the Gasoline Tax Fund. The tract was paid in full in 2015.

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

Year ending December 31:	OPWC	Savings	KNB
		Bank	Dump Truck
2016	\$ 5,162	\$ 21,000	\$ 19,986
2017	5,162	0	19,987
2018	5,162	0	17,983
2019	5,162	0	0
2020	5,162	0	0
2021-2025	25,812	0	0
2026-2027	7,744	0	0
Total	\$ 59,366	\$ 21,000	\$ 57,956

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

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 Ohio Revised Code prescribes this plans benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

Risk Pool Membership

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administer by York. APEEP provides OTARMA 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.

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

7. RISK MANAGEMENT (continued)

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	<u>\$28,894,793</u>	<u>\$27,057,831</u>

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 \$9,000.

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.

Contributions to OTARMA	
2015	\$16,379
2014	\$16,607

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. Compliance

Contrary to the Ohio Revised Code section 5705.41B, the township had expenditures in excess of appropriations in the Motor Vehicle in 2015 and in the General Fund and Motor Vehicle in 2014.

Contrary to the Ohio Revised Code section 5705.41D, the township didn't properly certify funds in 2014 and 2015.



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

Pickaway Township
Pickaway County
6166 Zane Trail Rd
Circleville, Ohio 43113

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 Pickaway Township, Pickaway 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 June 30, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion over the general fund and the combined special revenue funds due to the lack of appropriate audit evidence supporting payroll disbursements.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Trustees
Pickaway Township, Pickaway County
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
Page 2

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 and responses that we consider material weaknesses. We consider findings 2015-001 through 2015-002 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 and responses as items 2015-003 through 2015-004.

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
June 30, 2016

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

FINDING NUMBER 2015-001

Material Weakness- *Financial Reporting*

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

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

- Principal and Interest Payments
- General Government Disbursements
- Public Works Disbursements

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

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

Client Response:

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

FINDING NUMBER 2015-002

Material Weakness

A sound control environment is the responsibility of the management of the Township, and this includes, but is not limited to, maintaining supporting documentation for all expenditures incurred with Township funds.

The Township was unable to provide sufficient evidence to support the completeness or accuracy of payroll disbursements for Emergency Medical Services (EMS) or road maintenance employees reported in the special revenue funds and the general fund during 2014 and 2015. These unsupported transactions represent 27% of 2014 and 30% of 2015 special revenue funds cash disbursements and 39% of 2014 and 40% of 2015 general fund cash disbursements.

There is no basis to determine whether these disbursements were for a proper public purpose and whether these disbursements were for the proper amounts. This is a significant weakness which must be addressed immediately.

The Township should implement a filing system as well as policies and procedures to ensure that records are properly retained.

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

FINDING NUMBER 2015-003

Non-Compliance

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

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

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

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

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

The Township's Fiscal Officer did not certify the availability of funds prior to making commitments during 2014 for 13% of disbursements tested and 5% of disbursements testing in 2015. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Client Response:

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

FINDING NUMBER 2015-004

Non-compliance

Ohio Rev. Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township's disbursements exceeded appropriations in the Motor Vehicle License in 2015 and in the General Fund and Motor Vehicle License in 2014.

By not amending appropriations, the Township is not in compliance with the applicable Ohio Revised Code and could result in negative fund balances.

The Township should take due care to monitor the budget throughout the year and amend appropriations when necessary.

Client Response:

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY
DECEMBER 31, 2015 AND 2014**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Financial Reporting	Yes	Finding No Longer Valid
2013-002	Material Misstatements	No	Reissued as Finding 2015-001
2013-003	Material Noncompliance 5705.41(D)	No	Reissued as Finding 2015-003
2013-004	Material Noncompliance 5705.41(B)	No	Reissued as Finding 2015-004
2013-005	Lack of Supporting Documentation	No	Reissued as Finding 2015-002
2013-006	Negative Fund Balance	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

PICKAWAY TOWNSHIP

PICKAWAY 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
SEPTEMBER 20, 2016