



Dave Yost • Auditor of State

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2011	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	20

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

June 29, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Shawnee Township, Allen County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Shawnee Township, Allen County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Shawnee Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

June 29, 2012

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$177,431	\$2,631,647	\$2,809,078
Charges for Services		277,610	277,610
Licenses, Permits and Fees	10,045		10,045
Fines and Forfeitures		15,152	15,152
Intergovernmental	460,095	1,894,663	2,354,758
Earnings on Investments	25,383	4,711	30,094
Miscellaneous	61,655	47,941	109,596
Total Cash Receipts	<u>734,609</u>	<u>4,871,724</u>	<u>5,606,333</u>
Cash Disbursements:			
Current:			
General Government	391,829		391,829
Public Safety	86,765	4,097,812	4,184,577
Public Works	110,166	730,048	840,214
Health	59,138		59,138
Capital Outlay	223,500	152,537	376,037
Total Cash Disbursements	<u>871,398</u>	<u>4,980,397</u>	<u>5,851,795</u>
Excess of Receipts Over (Under) Disbursements	<u>(136,789)</u>	<u>(108,673)</u>	<u>(245,462)</u>
Other Financing Receipts (Disbursements):			
Sale of Capital Assets	376,335		376,335
Advances In	122,094	139,186	261,280
Advances Out		(261,280)	(261,280)
Total Other Financing Receipts (Disbursements)	<u>498,429</u>	<u>(122,094)</u>	<u>376,335</u>
Net Change in Fund Cash Balances	361,640	(230,767)	130,873
Fund Cash Balances, January 1, 2011	<u>1,117,433</u>	<u>2,813,006</u>	<u>3,930,439</u>
Fund Cash Balances, December 31, 2011:			
Non-spendable			
Restricted		2,058,432	2,058,432
Committed		513,021	513,021
Assigned		10,786	10,786
Unassigned (Deficit)	1,479,073		1,479,073
Fund Cash Balances, December 31	<u>\$1,479,073</u>	<u>\$2,582,239</u>	<u>\$4,061,312</u>

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Agency</u>
Operating Cash Disbursements:	
Other	\$54,870
Total Operating Cash Disbursements	<u>54,870</u>
Non-Operating Receipts (Disbursements):	
Miscellaneous Receipts	20,000
Total Non-Operating Receipts (Disbursements)	<u>20,000</u>
Income (Loss)	(34,870)
Fund Cash Balances, January 1, 2011	<u>34,870</u>
Fund Cash Balances, December 31, 2011	<u><u>\$0</u></u>

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$178,248	\$2,639,105	\$2,817,353
Charges for Services		248,727	248,727
Licenses, Permits, and Fees	15,005		15,005
Fines and Forfeitures		14,134	14,134
Intergovernmental	325,923	1,941,908	2,267,831
Earnings on Investments	40,983	5,781	46,764
Miscellaneous	23,026	103,380	126,406
Total Cash Receipts	<u>583,185</u>	<u>4,953,035</u>	<u>5,536,220</u>
Cash Disbursements:			
Current:			
General Government	395,290		395,290
Public Safety	103,203	4,034,907	4,138,110
Public Works	120,400	883,945	1,004,345
Health	59,164		59,164
Capital Outlay	630,858	710,086	1,340,944
Total Cash Disbursements	<u>1,308,915</u>	<u>5,628,938</u>	<u>6,937,853</u>
Total Receipts Over/(Under) Disbursements	<u>(725,730)</u>	<u>(675,903)</u>	<u>(1,401,633)</u>
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	19		19
Advances-In	122,094	166,650	288,744
Advances-Out		(288,744)	(288,744)
Other Financing Sources	230	84	314
Total Other Financing Receipts / (Disbursements)	<u>122,343</u>	<u>(122,010)</u>	<u>333</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(603,387)	(797,913)	(1,401,300)
Fund Cash Balances, January 1, 2010	<u>1,720,820</u>	<u>3,610,919</u>	<u>5,331,739</u>
Fund Cash Balances, December 31, 2010	<u>\$1,117,433</u>	<u>\$2,813,006</u>	<u>\$3,930,439</u>
Reserve for Encumbrances, December 31, 2010	<u>\$275,000</u>	<u>\$105,766</u>	<u>\$380,766</u>

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Agency</u>
Operating Cash Receipts:	
Licenses, Permits and Fees	\$385
Total Operating Cash Receipts	<u>385</u>
Operating Cash Disbursements:	
Other	3,385
Total Operating Cash Disbursements	<u>3,385</u>
Operating Income/(Loss)	<u>(3,000)</u>
Non-Operating Cash Receipts:	
Miscellaneous Receipts	37,870
Total Non-Operating Cash Receipts	<u>37,870</u>
Net Receipts Over/(Under) Disbursements	34,870
Fund Cash Balances, January 1, 2010	<u> </u>
Fund Cash Balances, December 31, 2010	<u><u>\$34,870</u></u>

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. 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. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, fire and police protection, and emergency medical services.

B. Component Unit

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. There were no component units for the Township for 2011 or 2010.

C. Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in a jointly governed organization and a public entity risk pool. Note 8 to the financial statements provide additional information for the public entity risk pool. These organizations are:

1. Jointly Governed Organization:

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.

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. REPORTING ENTITY (Continued)

2. Public Entity Risk Pool:

OTARMA- 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. 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

B. Deposits and Investments

The checking account is valued at cost.

C. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental, and fiduciary.

1. General Fund

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road District Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Motor Vehicle License - This fund receives motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads.

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 service to the Township.

EMS – This fund receives payments through recipient of service for providing emergency medical services and maintaining emergency medical service equipment and vehicles.

Enforcement and Education – This fund receives receipts from court costs and fees for assisting the Township in providing DUI and Drug Enforcement Education.

Foam Fund- This fund receives donations from the industrial neighborhood for fire foam purchases and equipment.

Police Education Fund – This fund receives reimbursements through the State of Ohio for Police Education and Training.

Federal Grant Fund – This fund receives federal grant monies restricted for a particular purpose.

3. 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

All funds, except agency funds, are legally required to be budgeted and appropriated annually.

1. Appropriations

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 5.

E. Fund Balance

For December 31, 2011, 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. Non-spendable

The Township classifies assets as *non-spendable* 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
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

F. 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.

G. Accumulated Leave

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

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances.

4. EQUITY IN POOLED DEPOSITS AND 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:

	2011	2010
Demand Deposits	\$4,061,312	\$ 585,461
Other Time Deposits		3,379,848
Total Deposits	\$4,061,312	\$3,965,309

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

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,033,749	\$1,233,038	\$199,289
Special Revenue	4,890,579	5,010,910	120,331
Fiduciary	23,000	20,000	(3,000)
Total	\$5,947,328	\$6,263,948	\$316,620

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,610,407	\$ 871,398	\$ 739,009
Special Revenue	7,385,093	5,241,677	2,143,416
Fiduciary	57,870	54,870	3,000
Total	<u>\$9,053,370</u>	<u>\$6,167,945</u>	<u>\$2,885,425</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 639,418	\$ 705,528	\$ 66,110
Special Revenue	4,904,928	5,119,769	214,841
Fiduciary	4,000	38,255	34,255
Total	<u>\$5,548,346</u>	<u>\$5,863,552</u>	<u>\$315,206</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,275,065	\$1,583,915	\$ 691,150
Special Revenue	8,395,111	6,023,448	2,371,663
Fiduciary	35,870	3,385	32,485
Total	<u>\$10,706,046</u>	<u>\$7,610,748</u>	<u>\$3,095,298</u>

6. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

7. DEFINED BENEFIT PENSION PLAN

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F) and Police Officers belong to Public Employees Retirement System (PERS) – Law Enforcement. Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F, PERS – Law Enforcement, 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.

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLAN (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OP&F an amount equal to 24% for full-time fire fighters' wages. For 2011 and 2010, PERS – Law Enforcement members contributed 11.61% and 11.10%, respectively, of their gross salaries and the Township contributed an amount equaling 18.10% and 17.87% respectively, of participants' gross salaries. Also for 2011 and 2010, 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, 2011.

8. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK MANAGEMENT (Continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$26,000.

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	
2011	2010
<u>\$32,924</u>	<u>\$35,663</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. 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 any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of Shawnee Township, Allen County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 29, 2012, wherein we noted the Township adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* for the year ended December 21, 2011. We also noted the Township prepared its financial statement using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. 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.

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, providing an opinion 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 29, 2012.

We intend this report solely for the information and use of management, Township Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

June 29, 2012

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Ditch Assessment Revenue - Significant Deficiency/Noncompliance

Ohio Rev. Code Section 5705.10(H) states money paid into any fund shall be used only for the purposes for which such fund is established.

In 2010 the Township paid ditch assessments from the Fire District Fund instead of the General Fund in the amount of \$2,195. During 2011 the Township noticed the error and made an adjustment to correct the posting by decreasing the General fund and increasing the Fire District fund by the \$2,195 for the expenditure. At the end of 2011, the Township did not think that it had corrected the error from 2010, therefore made the correction again thus decreasing the General Fund balance by \$4,390 in total and increasing the Fire District Fund by the same amount in total. The 2011 entries for the miss-posting of 2010 revenue caused an overstatement of \$2,195 in the Fire District Fund and an understatement of \$2,195 in the General Fund.

The Township made the fund adjustment to reduce the Fire District Fund and increase the General Fund cash fund balance by \$2,195 in 2012, and is reflected in the accompanying financial statements.

Official's Response:

The Officials declined to respond to this finding.

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.39	Yes	
2009-002	Material Weakness – Classifying Revenues and Expenditures	Yes	
2009-003	Material Weakness – Agreeing Authorized Budgeted Amounts to the Amounts Posted to the Computer System & Budgetary Statements	No	Partially Corrected – Moved to Management Letter
2009-004	Material Weakness – Accuracy of Financial Statements	Yes	



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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
AUGUST 14, 2012**