



Balestra, Harr & Scherer, CPAs, Inc.

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

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DECATUR TOWNSHIP
LAWRENCE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

Board of Trustees
Decatur Township
604 Township Road 199
Pedro, Ohio 45659

We have reviewed the *Independent Auditor's Report* of Decatur Township, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. 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. Decatur 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

April 23, 2015

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**Decatur Township
Lawrence County**

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

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Independent Auditor's Report

Decatur Township
Lawrence County
604 Township Road 199
Pedro, Ohio 45659

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Decatur Township, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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 these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, 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 Decatur Township, Lawrence County, as of December 31, 2013 and 2012, 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 August 22, 2014, 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
August 22, 2014

**Decatur Township
Lawrence County**

Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For The Year Ended December 31, 2013

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 7,030	\$ 4,005	\$ 11,035
Intergovernmental	13,032	224,098	237,130
Earnings on Investments	11	-	11
Miscellaneous	224	4,516	4,740
	<u>20,297</u>	<u>232,619</u>	<u>252,916</u>
Total Cash Receipts			
	<u>20,297</u>	<u>232,619</u>	<u>252,916</u>
Cash Disbursements:			
Current:			
General Government	13,794	-	13,794
Public Safety	915	27,139	28,054
Public Works	-	223,588	223,588
Other	-	80	80
Debt Service:			
Redemption of Principal	-	13,894	13,894
Interest and Fiscal Charges	-	1,604	1,604
	<u>14,709</u>	<u>266,305</u>	<u>281,014</u>
Total Cash Disbursements			
	<u>14,709</u>	<u>266,305</u>	<u>281,014</u>
Total Cash Receipts Over/(Under) Cash Disbursements	5,588	(33,686)	(28,098)
Fund Cash Balances, January 1	<u>7,651</u>	<u>78,899</u>	<u>86,550</u>
Fund Cash Balances, December 31			
Restricted	-	45,571	45,571
Unassigned (Deficit)	13,239	(358)	12,881
	<u>13,239</u>	<u>(358)</u>	<u>12,881</u>
Total Fund Cash Balances, December 31	<u>\$ 13,239</u>	<u>\$ 45,213</u>	<u>\$ 58,452</u>

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

**Decatur Township
Lawrence County**

Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For The Year Ended December 31, 2012

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 7,963	\$ 4,504	\$ 12,467
Intergovernmental	24,843	254,344	279,187
Fines, Licenses, and Permits	38	-	38
Earnings on Investments	9	-	9
Miscellaneous	29	1,200	1,229
	<u>32,882</u>	<u>260,048</u>	<u>292,930</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	16,931	-	16,931
Public Safety	-	26,287	26,287
Public Works	-	179,519	179,519
Capital Outlay	-	840	840
Debt Service:			
Redemption of Principal	-	13,155	13,155
Interest and Fiscal Charges	-	2,343	2,343
	<u>16,931</u>	<u>222,144</u>	<u>239,075</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	15,951	37,904	53,855
Fund Cash Balances, January 1	<u>(8,300)</u>	<u>40,995</u>	<u>32,695</u>
Fund Cash Balances, December 31			
Restricted	-	78,899	78,899
Unassigned	<u>7,651</u>	<u>-</u>	<u>7,651</u>
Fund Cash Balances, December 31	<u>\$ 7,651</u>	<u>\$ 78,899</u>	<u>\$ 86,550</u>

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

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 the Decatur Township, Lawrence County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and fire protection.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for 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 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.

C. Deposits and Investments

All cash assets of the Township are maintained in an interest bearing checking account.

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.

2. Special Revenue Funds

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

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

FEMA Fund – This fund receives grant money from the Federal Emergency Management Agency for disaster recovery and rehabilitation.

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 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.

DECATUR TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$58,452	\$86,550

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,058	\$20,297	(\$761)
Special Revenue	250,696	232,619	(18,077)
Total	\$271,754	\$252,916	(\$18,838)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,708	\$14,709	\$13,999
Special Revenue	329,602	266,305	63,297
Total	\$358,310	\$281,014	\$77,296

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,378	\$32,882	\$12,504
Special Revenue	206,253	260,048	53,795
Total	\$226,630	\$292,930	\$66,300

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,702	\$16,931	(\$3,229)
Special Revenue	245,624	222,144	23,480
Total	\$259,326	\$239,075	\$20,251

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Gasoline Tax Fund by \$17,203 for the year ended December 31, 2013 and in the General Fund by \$3,229 for year ended December 31, 2012.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

4. Property Tax

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

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, 2013 was as follows:

	Principal	Interest Rate
Kansas State Bank - Road Grader	\$14,673	5.6%
Total	\$14,673	

The Township received a note in 2009 through Kansas State Bank of Manhattan for the purchase of a road grader. The original loan was for \$66,000. The full faith and credit of the Township is pledged to repay this debt.

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

	Kansas State Bank - Road Grader
Year ending December 31: 2014	\$15,497
Total	\$15,497

6. Retirement Systems

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 the plans benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

7. Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

7. Risk Management (Continued)

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$7,676	\$7,556

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. Fund Balances

The Township follows Governmental Accounting Standards Board (GASB) Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the fund types are presented below for December 31, 2013:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Restricted for			
Road and Bridge Maintenance	\$ -	\$ 14,632	\$ 14,632
FEMA Operations	-	30,939	30,939
Total Restricted	<u>-</u>	<u>45,571</u>	<u>45,571</u>
Unassigned (Deficit)	<u>13,239</u>	<u>(358)</u>	<u>12,881</u>
Total Fund Balances	<u>\$ 13,239</u>	<u>\$ 45,213</u>	<u>\$ 58,452</u>

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

8. Fund Balances (Continued)

The constraints placed on the fund balance for the fund types are presented below for December 31, 2012:

Fund Balances	General Fund	Special Revenue Funds	Total Governmental Funds
Restricted for			
Road and Bridge Maintenance	\$ -	\$ 22,421	\$ 22,421
FEMA Operations	-	56,478	56,478
Total Restricted	-	78,899	78,899
Unassigned (Deficit)	7,651	-	7,651
Total Fund Balances	\$ 7,651	\$ 78,899	\$ 86,550

9. Related Party Transactions

Two Township trustees, Garold Cox and Ronnie Cox, are siblings. These siblings each had children and other relatives that received compensation from the Township for work performed during 2013 and 2012.

The compensation is outlined below:

<u>Name</u>	<u>Amount Compensated</u>
Daniel Cox	\$ 3,142
Greg Cox	\$ 2,580
Gene Cox	\$ 70
Ora Cox	\$ 1,869
G R Cox	\$ 366
Tyler Cox	\$ 253
Patricia Cox	\$ 231



Balestra, Harr & Scherer, CPAs, Inc.

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

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

Decatur Township
Lawrence County
604 Township Road 199
Pedro, Ohio 45659

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 Decatur Township, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 22, 2014 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 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.

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. 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. We consider finding 2013-003 described in the accompanying schedule of findings to be a material weakness.

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 2013-001 and 2013-002.

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
August 22, 2014

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-001

Material Noncompliance

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 2013 and 2012. 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.

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-002

Material Noncompliance

Ohio Rev. Code Section 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been appropriated.

Expenditures plus encumbrances exceeded appropriations at December 31, 2013 as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
Gasoline Tax Fund	\$118,179	\$100,976	\$(17,203)

Expenditures plus encumbrances exceeded appropriations at December 31, 2012 as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$16,931	\$13,702	\$(3,229)

Expending monies in excess of appropriations can lead to deficit fund balances.

We recommend the Township expend only those monies which have been properly appropriated.

Client Response:

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

FINDING NUMBER 2013-003

Material Weakness - Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the 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:

- Property Tax Receipts
- Intergovernmental Receipts
- Fines, Licenses and Permits Receipts
- Miscellaneous Receipts
- Principal and Interest Payments
- General Government Disbursements
- Public Safety Disbursements
- Public Works Disbursements
- Other Disbursements
- Capital Outlay Disbursements
- Implementation of GASB 54

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

**DECATUR TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-003 (CONTINUED)

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.

**Decatur Township
Lawrence County**

Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	ORC Section 505.24(C); Trustee and Fiscal Officer Compensation	No	Partially Corrected. Reissued in Management Letter.
2011-002	ORC Section 5705.10(H); Negative Fund Balances in General Fund	No	Corrected in General Fund. Road and Bridge Fund had deficit balance of \$358 in 2013. Issued comment in Management Letter.
2011-003	ORC Section 5705.41(B); Expenditures exceeding Appropriations	No	Reissued as finding 2013-002
2011-004	ORC Section 5705.41(D); Certifying funds prior to expenditure	No	Reissued as finding 2013-001
2011-005	Material Weakness Controls over Financial Reporting	No	Reissued as Finding 2013-003

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Dave Yost • Auditor of State

DECATUR TOWNSHIP

LAWRENCE 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
MAY 7, 2014**