



OHIO AUDITOR OF STATE
KEITH FABER



**SHAWNEE TOWNSHIP
ALLEN COUNTY
DECEMBER 31, 2022 AND 2021**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2022 | 5 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Fiduciary Fund Types - For the Year Ended December 31, 2022 | 6 |
| Notes to the Financial Statement - For the Year Ended December 31, 2022 | 7 |
| Combined Statement of Receipts, Disbursements, and Changes in Cash Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2021 | 17 |
| Combined Statement of Receipts, Disbursements, and Changes in Cash Fund Balances (Regulatory Cash Basis) - All Fiduciary Fund Types - For the Year Ended December 31, 2022 | 18 |
| Notes to the Financial Statements - For the Year Ended December, 31, 2021 | 19 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 27 |
| Schedule of Findings | 29 |
| Prepared by Management: | |
| Summary Schedule of Prior Audit Findings | 31 |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Shawnee Township, Allen County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Efficient • Effective • Transparent

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing recovery measures may impact subsequent period of the Township. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2024

This page intentionally left blank.

Shawnee Township
Allen County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$268,423 | \$6,814,405 | | \$7,082,828 |
| Charges for Services | | 476,339 | | 476,339 |
| Licenses, Permits and Fees | 19,693 | | | 19,693 |
| Fines and Forfeitures | | 9,622 | | 9,622 |
| Intergovernmental | 180,477 | 1,342,779 | | 1,523,256 |
| Earnings on Investments | 16,851 | 8,578 | | 25,429 |
| Miscellaneous | 15,760 | 105,336 | | 121,096 |
| <i>Total Cash Receipts</i> | <u>501,204</u> | <u>8,757,059</u> | | <u>9,258,263</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 420,373 | | | 420,373 |
| Public Safety | 41,918 | 5,023,091 | | 5,065,009 |
| Public Works | 65,943 | 897,804 | | 963,747 |
| Health | 19,940 | 44,669 | | 64,609 |
| Capital Outlay | 7,950 | 831,908 | | 839,858 |
| <i>Total Cash Disbursements</i> | <u>556,124</u> | <u>6,797,472</u> | | <u>7,353,596</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(54,920)</u> | <u>1,959,587</u> | | <u>1,904,667</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Sale of Capital Assets | | 34,875 | | 34,875 |
| Advances In | 300,000 | 300,000 | | 600,000 |
| Advances Out | (300,000) | (300,000) | | (600,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | | <u>34,875</u> | | <u>34,875</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(54,920)</u> | <u>1,994,462</u> | | <u>1,939,542</u> |
| <i>Fund Cash Balances, January 1</i> | <u>463,167</u> | <u>2,505,568</u> | <u>\$40,005</u> | <u>3,008,740</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$408,247</u> | <u>\$4,500,030</u> | <u>\$40,005</u> | <u>\$4,948,282</u> |

See accompanying notes to the basic financial statements

Shawnee Township
Allen County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2022

| | Fiduciary Fund Type Custodial |
|--|----------------------------------|
| Additions | |
| Other Amounts Collected for Distribution | \$56,384 |
| <i>Total Additions</i> | 56,384 |
| <i>Net Change in Fund Balances</i> | 56,384 |
| <i>Fund Cash Balances, January 1</i> | 32,538 |
| <i>Fund Cash Balances, December 31</i> | \$88,922 |

See accompanying notes to the basic financial statements

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Shawnee Township, Allen 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, cemetery maintenance, fire protection and emergency medical services.

Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in two jointly governed organizations and a public entity risk pool. Notes 6 and 10 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gas Tax Fund. The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund. The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund. The road and bridge fund receives property tax money to maintain road and bridges in the Township.

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

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Fire Department Fund. The fire department fund receives property tax money to maintain fire protection and emergency medical services to the Township.

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

Miscellaneous Capital Projects Fund. The miscellaneous capital projects fund receives monies for public Township improvements.

Fiduciary Funds. Fiduciary funds include custodial funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township's custodial funds are used to hold resources for individuals, organizations, or other governments. The Township disburses these funds as directed by the individual, organization or other government. The custodial 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.

Basis of Accounting

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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.

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

A summary of 2022 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

Leases

The Township is the lessee in various leases (as defined by GASB 87) related to vehicles under noncancelable leases. Lease disbursements are recognized when they are received/paid.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$475,911 | \$801,204 | \$325,293 |
| Special Revenue | 8,472,439 | 8,791,934 | 319,495 |
| Total | \$8,948,350 | \$9,593,138 | \$644,788 |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$863,050 | \$859,551 | \$3,499 |
| Special Revenue | 8,083,450 | 7,139,415 | 944,035 |
| Total | \$8,946,500 | \$7,998,966 | \$947,534 |

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

| | 2022 |
|---|--------------------|
| Cash Management Pool: | |
| Demand deposits | \$3,582,699 |
| Total deposits | 3,582,699 |
| STAR Ohio | 1,454,505 |
| Total investments | 1,454,505 |
| <i>Total carrying amount of deposits and investments held in the Pool</i> | <i>\$5,037,204</i> |

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the townships policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2022</u> |
|-----------------------|--------------|
| Cash and investments | \$32,288,098 |
| Actuarial liabilities | \$9,146,434 |

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants gross *salaries*. OPERS police employees contributed 13 percent of gross salaries and the Township contributed an amount equaling 18.1 percent of participants gross salaries. The Township has paid all contributions required through December 31, 2022.

Ohio Police and Fire Retirement System

Some Township certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2022.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 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.

Note 10 – Jointly Governed Organizations

The Township participates in two jointly governed organizations:

Allen Water District – The Allen Water District, (the District), was created by the Court of Common Pleas in Allen County in accordance with the provisions of Section 6119.01 et seq 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, Treasurer, at 3230 N. Cole St., Lima, Ohio 45806.

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

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Total |
|--------------------------|---------|---------|
| Outstanding Encumbrances | 3,427 | 3,427 |
| Total | \$3,427 | \$3,427 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital project funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated

Note 13 – Debt

Financed Purchase

The Township entered into a financed purchase agreement on June 27, 2022 with Community First National Bank for a fire pumper truck where ownership of the underlying asset transfers to the Township by the end of the contract. The first payment due date is July 1, 2023.

Amortization

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

| Year Ending December 31: | Financed Purchase |
|-----------------------------|----------------------|
| 2023 | \$56,291 |
| 2024 | 56,291 |
| 2025 | 56,291 |
| 2026 | 56,291 |
| 2027 | 56,291 |
| 2028-2032 | 281,455 |
| Total | \$562,910 |

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 14 – Subsequent Event

On April 12, 2023, the Township entered into a lease purchase agreement with Community First National Bank in the amount of \$930,537 for the lease of a fire truck. The first principal payment is due on April 12, 2024.

This page intentionally left blank.

Shawnee Township
Allen County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$228,443 | \$3,174,005 | | \$3,402,448 |
| Charges for Services | | 479,045 | | 479,045 |
| Licenses, Permits and Fees | 24,579 | | | 24,579 |
| Fines and Forfeitures | | 14,419 | | 14,419 |
| Intergovernmental | 154,801 | 1,302,531 | | 1,457,332 |
| Earnings on Investments | 3,106 | 785 | | 3,891 |
| Miscellaneous | 24,552 | 184,739 | | 209,291 |
| <i>Total Cash Receipts</i> | <u>435,481</u> | <u>5,155,524</u> | | <u>5,591,005</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 377,821 | | | 377,821 |
| Public Safety | 56,995 | 4,808,819 | | 4,865,814 |
| Public Works | 53,253 | 1,000,187 | | 1,053,440 |
| Health | 75,000 | 40,317 | | 115,317 |
| Capital Outlay | 14,303 | 176,001 | | 190,304 |
| <i>Total Cash Disbursements</i> | <u>577,372</u> | <u>6,025,324</u> | | <u>6,602,696</u> |
| <i>Excess of Receipts (Under) Disbursements</i> | <u>(141,891)</u> | <u>(869,800)</u> | | <u>(1,011,691)</u> |
| Other Financing Receipts | | | | |
| Sale of Capital Assets | | 9,120 | | 9,120 |
| <i>Total Other Financing Receipts</i> | <u>(141,891)</u> | <u>(860,680)</u> | | <u>(1,002,571)</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(141,891)</u> | <u>(860,680)</u> | | <u>(1,002,571)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>605,058</u> | <u>3,366,248</u> | <u>\$40,005</u> | <u>4,011,311</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$463,167</u> | <u>\$2,505,568</u> | <u>\$40,005</u> | <u>\$3,008,740</u> |

See accompanying notes to the basic financial statements

Shawnee Township
Allen County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2021

| | Fiduciary Fund Type Custodial |
|--|----------------------------------|
| Additions | |
| Other Amounts Collected for Distribution | \$87,580 |
| <i>Total Additions</i> | 87,580 |
| Deductions | |
| Other Distributions | 55,242 |
| <i>Total Deductions</i> | 55,242 |
| <i>Net Change in Fund Balance</i> | 32,338 |
| <i>Fund Cash Balances, January 1</i> | 200 |
| <i>Fund Cash Balances, December 31</i> | \$32,538 |

See accompanying notes to the basic financial statements

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Shawnee Township, Allen 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, cemetery maintenance, fire protection, emergency medical services, and police protection.

Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in two jointly governed organizations, and a public entity risk pool. Notes 6, and 10 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund receives property tax money to maintain road and bridges in the Township.

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

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Fire Department Fund The fire department fund receives property tax money to maintain fire protection and emergency medical services to the Township.

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

Miscellaneous Capital Projects Fund The miscellaneous capital projects fund receives monies for public Township improvements.

Fiduciary Funds Fiduciary funds include custodial funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township's custodial funds are used to hold resources for individuals, organizations, or other governments. The Township disburses these funds as directed by the individual, organization or other government. The custodial 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.

Basis of Accounting

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 disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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.

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2021

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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
For the Year Ended December 31, 2021

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$408,030 | \$435,481 | \$27,451 |
| Special Revenue | 5,287,814 | 5,164,644 | (123,170) |
| Total | \$5,695,844 | \$5,600,125 | (\$95,719) |

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$847,200 | \$584,099 | \$263,101 |
| Special Revenue | 7,402,664 | 6,078,910 | 1,323,754 |
| Capital Projects | 40,000 | | 40,000 |
| Total | \$8,289,864 | \$6,663,009 | \$1,626,855 |

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

| | 2021 |
|---|--------------------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$2,244,784 |
| Total deposits | 2,244,784 |
| U.S. Treasury Notes | |
| STAR Ohio | 796,494 |
| Total investments | 796,494 |
| <i>Total carrying amount of deposits and investments held in the Pool</i> | \$3,041,278 |

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the townships policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2021</u> |
|-----------------------|--------------|
| Cash and investments | \$34,880,599 |
| Actuarial liabilities | \$10,601,444 |

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants gross salaries. OPERS police employees contributed 13 percent of gross salaries and the Township contributed an amount equaling 18.1 percent of participants gross salaries. The Township has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

Some Township certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters’ wages, respectively. The Township has paid all contributions required through December 31, 2021.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Shawnee Township
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 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.

Note 10 – Jointly Governed Organizations

The Township participates in two jointly governed organizations:

Allen Water District – The Allen Water District, (the District), was created by the Court of Common Pleas in Allen County in accordance with the provisions of Section 6119.07 et seq 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, Treasurer, at 3230 N. Cole St., Lima, Ohio 45806.

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

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Total |
|--------------------------|---------|---------|
| Outstanding Encumbrances | 6,727 | 6,727 |
| Total | \$6,727 | \$6,727 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital project funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

This page intentionally left blank.

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

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

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of Shawnee Township, Allen County, (the Township) and have issued our report thereon dated February 28, 2024, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing recovery measures, which may impact subsequent periods of the Township.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Township's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the finding identified in our audit and described in the accompanying schedule of findings. The Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2024

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

| |
|--|
| 1. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2022-001

Significant Deficiency

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Township has outsourced the processing of emergency medical services (EMS) billings, which is a significant accounting function, to a third-party administrator. The Township has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reasonably assure that EMS billings have been authorized and completely and accurately processed in accordance with the contract. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Township with reasonable assurance that EMS billings conform to the contract.

The Township performed reconciliations between billing reports provided by the third-party administrator and internal run reports to ensure all individuals that should have been billed, were billed, and at the appropriate rate. However, the Township did not obtain a Service Organization Controls Report (SOC-1) from the third-party administrator. The EMS billing revenue represents \$295,879 out of \$479,045 total Charges for Services in the Special Revenue fund or 61.8% in 2021. In 2022, EMS billing revenue represents \$331,182 out of \$476,339 total Charges for Services in the Special Revenue fund. The EMIS billing revenues equal 5.7% and 3.6% for 2021 and 2022, respectively, of total revenues for Special Revenue funds

Failure to ensure adequate controls are in place and operating effectively could result in errors occurring without detection.

The Township should require a Type 2 SOC 1 report in its contract with the third-party administrator and should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Township with a Type 2 SOC 1 report, the Township should contract with a third-party administrator that will provide this report.

Officials' Response

During the audit of 2020, performed in 2022, the Audit team expressed the critical nature of the insufficiencies of Alpha Billing in not filing the SOC-1 documents. We understood this deficit and began our search for a replacement billing service. After talking to other governmental subdivisions that offer similar services, we found the AccuMed Company was highly regarded and met all regulatory requirements. We contracted with AccuMed as of January 1, 2023, and have severed ties with Alpha Billing entirely.

2. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS Compliance and Control report.

FINDING NUMBER 2022-002

Finding for Recovery

The Township entered into contracts to provide fire and ambulance services from April 1, 2020 to March 31, 2021; April 1, 2021 to March 31, 2022; and April 1, 2022 to March 31, 2023. The Township failed to invoice and collect the last quarter of the contract for the services provided January 1, 2021 to March 31, 2021 in the amount of \$17,032 as well as the last quarter for the services provided January 1, 2022 to March 31, 2022 in the amount of \$17,629. The Township also did not invoice any of the quarters for the contract April 1, 2022 to March 31, 2023 for total of \$72,923. As a result, public funds due had not been collected in accordance with Ohio Rev. Code § 117.28. The Township failed to invoice for services provided in the amount of \$107,584.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.24, a Finding for Recovery for public monies due but not collected has been issued against Kevin Cooley and his bonding company, Travelers Casualty & Surety Company of America, jointly and severally, in the amount of \$90,552, and against John Newland and his bonding company, Travelers Casualty & Surety Company of America, jointly and severally, in the amount of \$17,032, for a total of \$107,584 in favor of Shawnee Township, Fire Department Fund.

This resulted in a loss of revenue and cash to the Township. Failing to bill for services provided can lead to potential financial issues, cash flow problems, or deficit spending. By collecting the amounts due, the Township will be able to properly monitor and assure that sufficient funds are being provided in order to provide services. As of the date of this report, there has been no additional money collected on any of the amount due as noted above.

Officials' Response

We had sought to gain guidance over many months with the billing of these services from our contacts at Joint System Manufacturing Center Lima but were not successful in those attempts.

Upon access to the billing website, Mr. Cooley was able to submit ALL PRIOR INVOICES. We await the Joint System Manufacturing Center Lima response and/or payments.

Due to the communications difficulties Mr. Cooley and Mr. Newland should not be held solely responsible for these unpaid funds and Joint System Manufacturing Center Lima should share in the responsibility.

We are implementing a new procedure policy, to be passed by the board on Monday March 11, 2024 to included:

- a) Fiscal Office and Fire Department Chief co-administrative Privileges for the billing website.
- b) Fire Chief to submit invoice in the event of the incapacity of the Fiscal Officer
- c) Mandatory submission of the invoice within fifteen (15) days after the end of the current service quarter.
- d) Reporting of the invoice submissions and receipt of funds in the monthly reconciliation reports.
- e) Reporting of the contract status monthly including next available invoicing date

Shawnee Township

BOARD OF TRUSTEES

TRUSTEES: Clark Spieles, Ted Ciminillo, Michael Keith
CLERK: Kevin Cooley

2530 Ft. Amanda Road
Lima, Ohio 45804

Shawnee Township Office
Phone: 419-222-2984
Fax: 419-991-2284

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2022 AND 2021

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|------------------------|---|
| 2020-001 | Financial Reporting First reported in 2009-004 | Partially Corrected | BWC Funds Balances Corrected. Other items were partially corrected resulting in matters not having to be reported in the report. This was repeated in the Management Letter. |
| 2020-002 | Lack of Service Organization Controls Report. First reported in 2015-001 | Not Corrected | Contracted with Accumed Billing Service effective January 1, 2023. No longer associated with Alpha Medical |

OHIO AUDITOR OF STATE KEITH FABER



SHAWNEE TOWNSHIP

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/2/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov