



Dave Yost • Auditor of State

LEBANON TOWNSHIP
MEIGS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2014	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lebanon Township
Meigs County
54342 New Portland Road
Portland, Ohio 45770

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Lebanon Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Lebanon Township, Meigs County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Township management identified a Cemetery Endowment in the prior period and accounted for it in the Cemetery Special Revenue Fund rather than classifying it as a Permanent Fund. The December 31, 2013 fund cash balance of the Cemetery Special Revenue Fund has been restated to report the balance attributable to the endowment to a Permanent Cemetery Endowment Fund.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 21, 2016

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$16,078	\$35,579	\$0	\$51,657
Licenses, Permits and Fees	0	250	0	250
Intergovernmental	40,422	126,553	0	166,975
Earnings on Investments	1,049	314	0	1,363
Miscellaneous	397	31	0	428
<i>Total Cash Receipts</i>	<u>57,946</u>	<u>162,727</u>	<u>0</u>	<u>220,673</u>
Cash Disbursements				
Current:				
General Government	37,066	0	0	37,066
Public Safety	0	10,844	0	10,844
Public Works	0	131,055	0	131,055
Health	500	13,607	0	14,107
Capital Outlay	0	495	0	495
Debt Service:				
Principal Retirement	0	10,309	0	10,309
Interest and Fiscal Charges	0	247	0	247
<i>Total Cash Disbursements</i>	<u>37,566</u>	<u>166,557</u>	<u>0</u>	<u>204,123</u>
<i>Net Change in Fund Cash Balances</i>	20,380	(3,830)	0	16,550
<i>Fund Cash Balances, January 1</i>	<u>116,680</u>	<u>140,394</u>	<u>25,419</u>	<u>282,493</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	25,419	25,419
Restricted	0	118,899	0	118,899
Committed	0	17,665	0	17,665
Assigned	131,276	0	0	131,276
Unassigned	5,784	0	0	5,784
<i>Fund Cash Balances, December 31</i>	<u>\$137,060</u>	<u>\$136,564</u>	<u>\$25,419</u>	<u>\$299,043</u>

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

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$15,967	\$35,336	\$0	\$51,303
Licenses, Permits and Fees	0	1,350	0	1,350
Intergovernmental	105,372	119,283	0	224,655
Earnings on Investments	271	341	0	612
Miscellaneous	1,882	868	0	2,750
<i>Total Cash Receipts</i>	<u>123,492</u>	<u>157,178</u>	<u>0</u>	<u>280,670</u>
Cash Disbursements				
Current:				
General Government	37,302	2,305	0	39,607
Public Safety	0	13,603	0	13,603
Public Works	0	123,721	0	123,721
Health	0	9,573	0	9,573
Debt Service:				
Principal Retirement	0	5,085	0	5,085
Interest and Fiscal Charges	0	683	0	683
<i>Total Cash Disbursements</i>	<u>37,302</u>	<u>154,970</u>	<u>0</u>	<u>192,272</u>
<i>Net Change in Fund Cash Balances</i>	86,190	2,208	0	88,398
<i>Fund Cash Balances, January 1, restated</i>	<u>30,490</u>	<u>138,186</u>	<u>25,419</u>	<u>194,095</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	25,419	25,419
Restricted	0	128,296	0	128,296
Committed	0	12,098	0	12,098
Assigned	116,001	0	0	116,001
Unassigned	679	0	0	679
<i>Fund Cash Balances, December 31</i>	<u>\$116,680</u>	<u>\$140,394</u>	<u>\$25,419</u>	<u>\$282,493</u>

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

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Lebanon Township, Meigs 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 and fire protection. The Township contracts with the Racine Volunteer Fire Department and Bashan Fire Department to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. Note 6 to the financial statements provides additional information for these entities

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The Township had one primary, interest bearing checking account, a savings account and a certificate of deposit during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

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 for constructing, maintaining, and repairing Township roads.

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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 and investments. The carrying amount of deposits at December 31 was as follows:

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

2. Equity in Pooled Deposits (Continued)

	2015	2014
Demand deposits	\$273,370	\$256,820
Certificates of deposit	25,419	25,419
Other time deposits (savings account)	254	254
Total Deposits	\$299,043	\$282,493

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,941	\$57,946	\$21,005
Special Revenue	138,257	162,727	24,470
Total	\$175,198	\$220,673	\$45,475

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,154	\$37,566	\$110,588
Special Revenue	309,283	166,557	142,726
Total	\$457,437	\$204,123	\$253,314

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,700	\$123,492	\$86,792
Special Revenue	134,032	157,178	23,146
Total	\$170,732	\$280,670	\$109,938

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,782	\$37,302	\$34,480
Special Revenue	276,643	154,970	121,673
Total	\$348,425	\$192,272	\$156,153

Contrary to Ohio law, the appropriation amendments were posted to the accounting system without formal Board of Trustee approval. Also contrary to Ohio law, the Township did not establish a separate permanent fund to account for a cemetery endowment based on the nature and origin of the revenue.

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

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. Retirement System

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

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

6. 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, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

6. Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
<u>2015</u>	<u>2014</u>
\$4,815	\$4,739

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.

7. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. 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.

8. Subsequent Events

On April 23, 2016, the Township approved the purchase of a truck totaling \$48,200. The Board of Trustees approved financing \$33,200 of the purchase through Home National Bank.

**LEBANON TOWNSHIP
MEIGS COUNTY**

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

9. Restatement of Prior Year Balances

During 2014, the Township identified an inactive savings account opened in 2000 that was not included in the Township's accounting system. This was determined to belong to the General Fund. Additionally, the Township identified a Cemetery Endowment in the prior period. However, they accounted for this in the Cemetery Fund rather than identifying it as a Permanent Fund in accordance with GASB 54. These issues resulted in the following restatements for the year ended December 31, 2013:

Fund	Unadjusted 12/31/13 Fund Balance	Audit Adjustment	Adjusted 01/01/14 Fund Balance
General Fund	\$30,236	\$254	\$30,490
Cemetery (Special Revenue Fund)	48,447	(25,419)	23,028
Cemetery Endowment (Permanent Fund)	0	25,419	25,419

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Dave Yost • Auditor of State

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

Lebanon Township
Meigs County
54342 New Portland Road
Portland, Ohio 45770

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 Lebanon Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 21, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit and, wherein we noted the December 31, 2013 fund cash balance of the Cemetery Special Revenue Fund was restated to report the balance attributable of a cemetery endowment previously included as a Permanent Fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-001 and 2015-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-003.

Entity's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 21, 2016

**LEBANON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2015-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.09 requires establishing separate funds to segregate externally-restricted resources.

Further, Governmental Accounting Standards Board Statement Number 54 ¶ 35 provides that permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

The Township holds a certificate of deposit which should be recorded as a separate Cemetery Endowment fund classified as a permanent fund based on the nature and origin of the revenue. The Township included the activity of a Cemetery Endowment CD (\$25,419) in the Cemetery Fund (2041). This resulted in a material adjustment to the financial statements of the Township.

The Board of Trustees and Fiscal Officer should periodically review fund classifications and monitor activity of the Township to ensure classifications are reasonable and all required funds are established.

Official's Response: The Cemetery Endowment Fund will be established as per recommendation effective January 1, 2016.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 5705.40 provides, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Township Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

During 2014, the Fiscal Officer posted appropriation amendments to the General Fund, Road and Bridge Fund and Cemetery fund. However, the amendments were not approved by the Board of Trustees in the minutes nor were they filed with the County Auditor. As a result, variances existed between the amounts approved by the legislative body and the amount posted to the accounting system as follows:

Fund	Appropriations, as Adopted	Appropriations per System	Posted Over (Under) Adopted
General Fund	\$72,207	\$66,936	\$5,271
Road and Bridge	32,449	14,620	17,829
Cemetery	41,960	34,150	7,810

**LEBANON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2015-002
(Continued)**

Noncompliance - Ohio Rev. Code § 5705.40 (Continued)

Failure to approve all amendments to the formal appropriation resolution decreases effectiveness of monitoring controls and can and conflicts from management's intended spending plan.

The Trustees should approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

Official's Response: The new Fiscal Officer understands the appropriate procedures/process for appropriation amendments. This is corrected in 2016.

FINDING NUMBER 2015-003

Noncompliance and Material Weakness

Ohio Admin Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Fiscal Officer posted certain revenue and expenditure transactions incorrectly resulting in material audit adjustments.

For the year ended December 31, 2014, the following mispostings were noted:

General Fund

- Subsequent year (2015) appropriations exceeded subsequent year estimated receipts requiring the reclassification of fund balance in accordance with GASB 54 to increase assigned and decrease unassigned fund cash balances, December 31 in the amount of \$116,001.

Special Revenue Funds

- The Fiscal Officer posted the cemetery endowment balance to the Cemetery Fund rather than creating a Permanent Cemetery Endowment Fund in accordance with GASB 54 definitions, resulting in a decrease in Cemetery Fund - Fund Cash Balances, January 1 of \$25,419.
- The tax levy related to the Road and Bridge Fund was within the 10 mil limitation. As such, the Road and Bridge ending fund cash balance of \$12,098 should have been classified as committed rather than as restricted in accordance with GASB 54.

Permanent Fund

- The Township posted their cemetery endowment balance/activity to the Cemetery Fund rather than creating a Permanent Cemetery Endowment Fund in accordance with GASB 54 definitions resulting in an increase in Fund Cash Balances, January 1 of \$25,419.

**LEBANON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2015-003
(Continued)**

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

For the period ending December 31, 2015, the following items were noted:

General Fund

- Subsequent year (2016) appropriations exceeded subsequent year estimated receipts requiring the reclassification of fund balance in accordance with GASB 54 to increase assigned and decrease unassigned fund cash balances, December 31 in the amount of \$131,276.
- A portion of the final principal payment on debt belonging to the Motor Vehicle License Tax Fund was incorrectly posted as General Government expenditures in the General Fund. An adjustment was made to reduce the General Fund expenditures and increase the ending fund balance by \$4,788.

Special Revenue Funds

- The tax levy related to the Road and Bridge Fund was within the 10 mil limitation. As such, the Road and Bridge ending fund cash balance of \$17,665 should have been classified as committed rather than as restricted in accordance with GASB 54.
- A portion of the final principal payment on debt belonging to the Motor Vehicle License Tax Fund was incorrectly posted to the General Fund. An adjustment was made to increase Principal Retirement expenditures and decrease the ending fund balance by \$4,788.
- The payoff of debt held was improperly recorded in the Motor Vehicle License Tax Fund. The portion of the debt payment posted to the Motor Vehicle License Tax Fund was incorrectly allocated between principal retirement and interest and fiscal charges. As a result, principle retirement increased by \$436 and interest and fiscal charges decreased by \$436.

The following represents the cumulative effect of the adjustments listed above, in addition to immaterial variances the Township opted to post, on the fund cash balances as of December 31, 2015:

Fund	Unadjusted 12/31/15 Fund Balance	Audit Adjustment	Adjusted 12/31/15 Fund Balance
1000 General	\$131,536	\$5,524	\$137,060
2011 Motor Vehicle License Tax	52,737	(4,970)	47,767
2021 Gasoline Tax	37,363	(425)	36,938
2031 Road and Bridge	17,625	40	17,665
2041 Cemetery	53,942	(25,378)	28,564
2191 Fire District	5,586	44	5,630
4951 Permanent Fund	0	25,419	25,419

These misstatements were caused by confusion over proper classifications and a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

**LEBANON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2015-003
(Continued)**

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

The Fiscal Officer should refer to Appendix A of the Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

Official's Response: UAN will be contacted for assistance in making the above noted adjustments.



Dave Yost • Auditor of State

LEBANON TOWNSHIP

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2016**