



Dave Yost • Auditor of State



**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, 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 Shawnee Township, Allen County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 4, 2014

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$201,419	\$2,720,173		\$2,921,592
Charges for Services		329,406		329,406
Licenses, Permits and Fees	8,268			8,268
Fines and Forfeitures		24,598		24,598
Intergovernmental	628,177	1,954,193	\$102,320	2,684,690
Earnings on Investments	28,890	6,797		35,687
Miscellaneous	97,205	158,716		255,921
Total Cash Receipts	<u>963,959</u>	<u>5,193,883</u>	<u>102,320</u>	<u>6,260,162</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	425,977			425,977
Public Safety	93,285	3,885,593		3,978,878
Public Works	18,859	798,482		817,341
Health	58,856			58,856
Capital Outlay	1,288,048	81,036	102,320	1,471,404
Total Cash Disbursements	<u>1,885,025</u>	<u>4,765,111</u>	<u>102,320</u>	<u>6,752,456</u>
Excess of Receipts Over (Under) Disbursements	<u>(921,066)</u>	<u>428,772</u>		<u>(492,294)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Sale of Capital Assets	192,000			192,000
Advances In	350,000	350,000		700,000
Advances Out	(350,000)	(350,000)		(700,000)
Total Other Financing Receipts (Disbursements)	<u>192,000</u>			<u>192,000</u>
Net Change in Fund Cash Balances	(729,066)	428,772		(300,294)
Fund Cash Balances, January 1	<u>2,646,572</u>	<u>2,352,352</u>		<u>4,998,924</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		2,759,648		2,759,648
Assigned		21,476		21,476
Unassigned (Deficit)	1,917,506			1,917,506
Fund Cash Balances, December 31	<u>\$1,917,506</u>	<u>\$2,781,124</u>	<u>\$0</u>	<u>\$4,698,630</u>

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

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Agency</u>
<b>Operating Cash Receipts:</b>	
Licenses, Permits and Fees	<u>\$200</u>
Total Operating Cash Receipts	<u>200</u>
<b>Operating Cash Disbursements:</b>	
Other	<u>6,735</u>
Total Operating Cash Disbursements	<u>6,735</u>
Operating Income (Loss)	<u>(6,535)</u>
<b>Non-Operating Receipts (Disbursements):</b>	
Miscellaneous Receipts	<u>33,084</u>
Total Non-Operating Receipts (Disbursements)	<u>33,084</u>
Net Change in Fund Cash Balances	26,549
Fund Cash Balances, January 1	<u>                    </u>
Fund Cash Balances, December 31	<u><u>\$26,549</u></u>

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



**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$179,342	\$2,672,945	\$2,852,287
Charges for Services		358,423	358,423
Licenses, Permits and Fees	14,245		14,245
Fines and Forfeitures		15,791	15,791
Intergovernmental	1,597,380	1,580,198	3,177,578
Earnings on Investments	37,213	6,412	43,625
Miscellaneous	7,135	45,423	52,558
Total Cash Receipts	<u>1,835,315</u>	<u>4,679,192</u>	<u>6,514,507</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	404,314		404,314
Public Safety	91,436	3,893,777	3,985,213
Public Works	23,418	735,078	758,496
Health	55,041		55,041
Capital Outlay	93,607	285,224	378,831
Total Cash Disbursements	<u>667,816</u>	<u>4,914,079</u>	<u>5,581,895</u>
Excess of Receipts Over (Under) Disbursements	<u>1,167,499</u>	<u>(234,887)</u>	<u>932,612</u>
<b>Other Financing Receipts (Disbursements):</b>			
Sale of Capital Assets		5,000	5,000
Advances In	285,000	285,736	570,736
Advances Out	(285,000)	(285,736)	(570,736)
Total Other Financing Receipts (Disbursements)	<u></u>	<u>5,000</u>	<u>5,000</u>
Net Change in Fund Cash Balances	1,167,499	(229,887)	937,612
Fund Cash Balances, January 1	<u>1,479,073</u>	<u>2,582,239</u>	<u>4,061,312</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		1,869,756	1,869,756
Committed		463,575	463,575
Assigned		19,021	19,021
Unassigned (Deficit)	2,646,572		2,646,572
Fund Cash Balances, December 31	<u>\$2,646,572</u>	<u>\$2,352,352</u>	<u>\$4,998,924</u>

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

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Licenses, Permits and Fees	\$614
Total Operating Cash Receipts	614
 <b>Operating Cash Disbursements:</b>	
Other	19,639
Total Operating Cash Disbursements	19,639
 Operating Income (Loss)	(19,025)
 <b>Non-Operating Receipts (Disbursements):</b>	
Miscellaneous Receipts	19,025
Total Non-Operating Receipts (Disbursements)	19,025
 Net Change in Fund Cash Balances	
 Fund Cash Balances, January 1	
Fund Cash Balances, December 31	\$0

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

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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, police and fire protection and emergency medical services.

The Township participates in a jointly governed organization and a public entity risk pool. These organizations are:

**Public Entity Risk Pool:**

**OTARMA** - The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member to the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductibles.

**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 Edward L. Krohn, Treasurer, at 4500 W. Breese Rd., Lima, Ohio 45806.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The checking account is valued at cost.

**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:

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. 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:

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

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

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

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

**Police District Fund** – This fund receives property tax money to maintain police protection services to the Township.

**Fire Fund** – This fund receives property tax money to maintain fire protection and emergency medical services to the Township.

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

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

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

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

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

**3. 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 fund:

**Issue I Fund** - The Township received a grant from the State of Ohio for the paving of Township roads.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township does not have any trust funds.

Agency funds are purely custodial in nature and 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 Township's agency funds account for the insurance for 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.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Non-spendable**

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

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

	<b>2013</b>	<b>2012</b>
Demand deposits	\$4,725,179	\$4,998,924
Total deposits	\$4,725,179	\$4,998,924

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

**3. Budgetary Activity**

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

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$830,455	\$1,155,959	\$325,504
Special Revenue	4,389,614	5,193,883	804,269
Capital Projects	102,320	102,320	
Fiduciary	6,935	33,284	26,349
Total	\$5,329,324	\$6,485,446	\$1,156,122

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$3,477,027	\$1,885,025	\$1,592,002
Special Revenue	6,215,038	4,765,111	1,449,927
Capital Projects	102,320	102,320	
Fiduciary	6,934	6,735	199
Total	\$9,801,319	\$6,759,191	\$3,042,128

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,592,383	\$2,120,315	\$527,932
Special Revenue	4,754,895	4,969,928	215,033
Fiduciary	23,000	19,639	(3,361)
Total	\$6,370,278	\$7,109,882	\$739,604

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$3,071,456	\$952,816	\$2,118,640
Special Revenue	7,337,134	5,199,815	2,137,319
Fiduciary	23,000	19,639	3,361
Total	\$10,431,590	\$6,172,270	\$4,259,320

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10.75% of their wages for the period July 1, 2013 to December 31, 2013 and 10% for the period January 1, 2012 to June 30, 2013. For 2013 and 2012, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2013 and 2012, OPERS-Law Enforcement participants contributed 12.60% and 12.10%, respectively of their wages and the Township contributed an amount equaling 18.10%, both years, of participants' gross wages. For 2013 and 2012, 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, 2013.

**6. RISK MANAGEMENT**

**A. Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**B. Risk Pool Membership**

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

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



**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

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.

**C. Casualty and Property Coverage**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**D. Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

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

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$27,000.

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.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

<b>Contributions to OTARMA</b>	
<b>2013</b>	<b>2012</b>
<u>\$48,613</u>	<u>\$43,297</u>

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

**7. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# Dave Yost • Auditor of State

## INDEPENDENT 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 auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Shawnee Township, Allen County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 4, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying schedule of findings 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 4, 2014

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Finding For Recovery - Fire Protection Service and Ambulance Run - Repaid Under Audit**

Shawnee Township had a contract to provide structural fire protection services and ambulance runs to the Joint System Manufacturing Center (Center) in Lima, Ohio. The contract for the period October 1, 2011 to September 30, 2012 was for a sum of \$54,113. The Township received payments from the Center for a total of \$40,585. The unpaid portion owed to the Township for the quarter July 1, 2012 to September 30, 2012, as of December 31, 2013, was \$13,528.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against the Joint System Manufacturing Center Lima and in favor of Shawnee Township, in the amount of \$13,528.

On May 20, 2014, \$13,528 was repaid by Joint System Manufacturing Center to Shawnee Township.

**Client Response:**

General Dynamics notified the Township in 2013 about the billing error.

**FINDING NUMBER 2013-002**

**Material Weakness - Advances**

**Auditor of State Audit Bulletin 97-003**, sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions. The intent for cash advances is to require repayment within the current or succeeding year. Inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Advances *temporarily* reallocate cash from one fund to another and involve an expectation of repayment.
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.
- The debtor fund may repay advances from the creditor fund.
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made.

The Township issued the repayment of an advance from the EMS fund to the General Fund in 2013, however the original advance approved in 2012 from the General Fund to the EMS fund was never recorded. The repayment of an advance which was never recorded resulted in the overpayment of funds to the General fund. The financial statements were adjusted to correct the overpayment.

The Township should implement procedures to monitor the proper recording of advances and subsequent repayments.

**Client Response:**

We did not receive a response from Officials to this Finding.

**FINDING NUMBER 2013-003**

**Material Weakness – Financial Reporting**

Various financial transactions were not posted to the correct line item accounts or fund and some items were not posted in the correct amount. The following items were not properly posted during 2013 and 2012:

- In 2012, Excess IRP was posted as intergovernmental revenue in the Gasoline Tax Fund in the amount of \$578, rather than as intergovernmental revenue in the Motor Vehicle License Tax Fund.
- In 2012, Registration fee receipt was posted as charges for services revenue in the EMS Fund in the amount of \$1,625 instead of intergovernmental in the Motor Vehicle License Tax Fund.
- In 2013, Issue I Road Grant program receipts and expenditures made by the State on behalf of the Township were posted as intergovernmental revenue and public works expenditures in the amount of \$124,990 in the Road District Fund, rather than Intergovernmental and Capital Outlay in the correct amount of \$102,320 in a Capital Projects Fund.
- The Township did not reflect the EMS fund balance as restricted in 2013 for \$428,117 and in 2012 for \$459,637.

The failure to properly post receipts and disbursements could result in a material misstatement of the reported revenue and expenditures line accounts and fund balances. The accompanying financial statements and Township records have been corrected to include all the adjustments and reclassifications noted above.

The Township Fiscal Officer should utilize the UAN Chart of Accounts and the Township Handbook to provide guidance for recording of revenue and disbursements to the correct funds and line item classifications. In addition, the Trustees should implement review and monitoring procedures to help determine that all revenues and disbursements are recorded in the correct fund and line item.

**Client Response:**

We did not receive a response from Officials to this Finding.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Rev. Code Section 5705.10(H) – Ditch Assessment Revenue	Yes	

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# Dave Yost • Auditor of State

**SHAWNEE TOWNSHIP**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 29, 2014**