

DECATUR TOWNSHIP  
LAWRENCE COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018



*Millhuff-Stang*

CERTIFIED PUBLIC ACCOUNTANT

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# OHIO AUDITOR OF STATE KEITH FABER



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Board of Trustees  
Decatur Township  
16976 State Route 93  
Pedro, OH 45659

We have reviewed the *Independent Auditor's Report* of Decatur Township, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## 1. FINDING FOR RECOVERY – FISCAL OFFICER OVERPAYMENT

**Ohio Rev. Code, § 507.09**, provides that in a Township having a budget of two hundred fifty thousand or less, the compensation for 2019 and 2018 for a Fiscal Officer elected or appointed is to be paid \$10,918 annually. Ms. Kelly's term was for the period April 1, 2016 to March 30, 2020, which required her to be compensated at the 2018 rate.

**Ohio Const. Art. II, § 20** prohibits a public officer from receiving an in-term increase in salary that results from a change by the General Assembly to the compensation scheme or compensation rates of Ohio Rev. Code § 507.09 during the public officer's term.

During 2019 and 2018, Shanna Kelly, Fiscal Officer was paid, at the compensation rate for a Township having a budget of more than two hundred fifty thousand but not more than five hundred thousand. Ms. Kelly was paid from the General Fund, Motor Vehicle Tax Fund, Gas Tax Fund, and the Road and Bridge Fund.

<b>Shanna Kelly, Fiscal Officer</b>	<b>2018</b>	<b>2019</b>
Decatur's Township Budget	\$173,000	\$154,640
Annual Salary allowed for Fiscal Officer period 01/01/2018 – 12/31/2019 for Fiscal Officer term elected prior to December 27, 2018, based on Decatur's Township Budget amount above	\$ 10,918	\$ 10,918
Annual Salary Amount Paid to Shanna Kelly, Fiscal Officer	\$ 13,370	\$ 13,370
Overpayment	\$ 2,452	\$ 2,452

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Shanna Kelly, Decatur Township Fiscal Officer, and her bonding company Travelers Casualty and Surety Company of America in the amount of four thousand, nine hundred and four dollars in favor of the General Fund in the amount of \$3,409, the Motor Vehicle Tax Fund in the amount of \$441, the Gas Tax Fund in the amount of \$613, and the Road and Bridge Fund in the amount of \$441 of Decatur Township.

**2. FINDING FOR RECOVERY – TRUSTEE OVERPAYMENT**

**Ohio Rev. Code Section 505.24(A)** provides that a Township having a budget of two hundred fifty thousand or less, the compensation for 2019 and 2018 for a Trustee elected or appointed is to be paid \$40.41 per day for not more than two hundred days, which totals \$8,082 annually.

**Ohio Const. Art. II, § 20** prohibits a trustee from receiving an in-term increase in salary that results from a change by the General Assembly to the compensation scheme or compensation rates of Ohio Rev. Code § 505.24 during the trustee's term.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

During 2018 and 2019, the Trustees were paid at the compensation rate for a Township having a budget of more than two hundred fifty thousand but not more than five hundred thousand. Fiscal Officer Shanna Kelly received or collected the money used to make the erroneous payments. The Trustees were paid from the General Fund, and the Gas Tax Fund. Decatur Township Trustee Gerald Cox, Ronnie Cox and Tim Blagg should have been compensated at the rate, as follows.

<b>Gerald Cox, Trustee</b>	<b>2018</b>	<b>2019</b>
Decatur's Township Budget	\$173,000	\$154,640
Annual Salary allowed for Township Trustee for period 01/01/2018 – 12/31/2019 based on Decatur's Township Budget amount above	\$ 8,082	\$ 8,082
Annual Salary Amount Paid to Gerald Cox, Trustee	\$ 8,913	\$ 8,913
Overpayment	\$ 831	\$ 831

<b>Ronnie Cox, Trustee</b>	<b>2018</b>	<b>2019</b>
Decatur's Township Budget	\$173,000	\$154,640
Annual Salary allowed for Township Trustee for period 01/01/2018 – 12/31/2019 based on Decatur's Township Budget amount above	\$ 8,082	\$ 8,082
Annual Salary Amount Paid to Ronnie Cox, Trustee	\$ 8,913	\$ 8,913
Overpayment	\$ 831	\$ 831

<b>Tim Blagg, Trustee</b>	<b>2018</b>	<b>2019</b>
Decatur's Township Budget	\$173,000	\$154,640
Annual Salary allowed for Township Trustee for period 01/01/2018 – 12/31/2019 based on Decatur's Township Budget amount above	\$ 8,082	\$ 8,082
Annual Salary Amount Paid to Tim Blagg, Trustee	\$ 8,171	\$ 8,913
Overpayment	\$ 89	\$ 831

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against; Gerald Cox, Township Trustee and his bonding company Ohio Plan Risk Management, Inc. and Fiscal Officer Shanna Kelly and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of one thousand, six hundred sixty-two dollars, in favor of the General Fund in the amount of \$1,014, and the Gasoline Tax Fund in the amount of \$648 of Decatur Township.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against; Ronnie Cox, Township Trustee and his bonding company Ohio Plan Risk Management, Inc. and Fiscal Officer Shanna Kelly and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of one thousand, six hundred sixty-two dollars, in favor of the General Fund in the amount of \$1,097, and the Gasoline Tax Fund in the amount of \$565 of Decatur Township.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against; Tim Blagg, Township Trustee and his bonding company Ohio Plan Risk Management, Inc. and Fiscal Officer Shanna Kelly and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of nine hundred twenty dollars, in favor of the General Fund in the amount of \$862, and the Gasoline Tax Fund in the amount of \$58 of Decatur Township.

### **3. FINDING FOR RECOVERY – LATE PAYMENTS FFR**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgement of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2018, the Township was assessed penalties and interest charges for late payments related to the 2017 first quarter IRS tax filings and payments. The Fiscal Officer did not pay 2017 first quarter tax payments to the IRS until February 2018. As a result, failure to file penalties, failure to pay penalties and interest was assessed in the amount of \$530. These penalties and interest were paid on June 14, 2018.

The payment of late fees and penalties due to the inability of the Fiscal Officer to make timely payment is not a proper public purpose.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Shanna Kelly, Fiscal Officer and her bonding company Travelers Casualty and Surety Company of America, in the amount of \$530 and in favor of Decatur Township's General Fund.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Decatur Township is responsible for compliance with these laws and regulations.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 23, 2021

**Decatur Township**  
**Lawrence County**  
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*For the Years Ended December 31, 2019 and 2018*

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**Independent Auditor's Report**

Board of Trustees  
Decatur Township  
Lawrence County  
16976 State Route 93  
Pedro, Ohio 45659

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2019 and for each governmental fund type as of and for the year ended December 31, 2018, and related notes of Decatur Township, Lawrence County, Ohio (the Township).

***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 such 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 2 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 (GAAP), to satisfy these requirements.

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 Section 117.38 and Ohio Administrative Code Section 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 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, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Decatur Township, Lawrence County, 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 2.

***Emphasis of Matters***

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. The Township has a negative fund balance in the general fund at December 31, 2019 and December 31, 2018 in the amount of \$37,338 and \$878, respectively. Note 11 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

As discussed in Note 13 the Township restated its special revenue fund beginning fund balances in 2018 due to an error in a prior period. We did not modify our opinion regarding this matter.

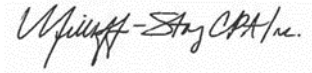
As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Decatur Township  
Lawrence County  
Independent Auditor's Report

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021, 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.



Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

March 5, 2021

**Decatur Township**  
**Lawrence County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2019*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$8,722	\$5,172	\$13,894
Charges for Services	0	2,200	2,200
Intergovernmental	14,042	175,870	189,912
Earnings on Investments	100	0	100
Miscellaneous	775	0	775
<b>Total Cash Receipts</b>	<b>23,639</b>	<b>183,242</b>	<b>206,881</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	58,883	189	59,072
Public Safety	595	36,264	36,859
Public Works	652	84,197	84,849
Capital Outlay	0	1,500	1,500
<b>Debt Service:</b>			
Redemption of Principal	0	13,331	13,331
Interest and Other Fiscal Charges	0	369	369
<b>Total Cash Disbursements</b>	<b>60,130</b>	<b>135,850</b>	<b>195,980</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(36,491)</b>	<b>47,392</b>	<b>10,901</b>
<b>Extraordinary Items</b>	<b>31</b>	<b>32,847</b>	<b>32,878</b>
<b>Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements</b>	<b>(36,460)</b>	<b>80,239</b>	<b>43,779</b>
<b>Fund Cash Balances, January 1</b>	<b>(878)</b>	<b>32,238</b>	<b>31,360</b>
<b>Restricted for:</b>			
Cemetery	0	3,357	3,357
Fire Operations	0	1,987	1,987
Road and Bridge Maintenance and Improvements	0	101,909	101,909
Committed	0	5,224	5,224
Unassigned	(37,338)	0	(37,338)
<b>Fund Cash Balances, December 31</b>	<b>(\$37,338)</b>	<b>\$112,477</b>	<b>\$75,139</b>

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

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 - Reporting Entity**

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

***Public Entity Risk Pool***

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 9 to the financial statement provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is 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 fund:

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

***Basis of Accounting***

This financial statement follows 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 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).

This statement includes 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.

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***Budgetary Process***

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year-end.

*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.

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

A summary of 2019 budgetary activity appears in Note 3.

***Deposits***

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

***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.

*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*. 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.

*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

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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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.

**Capital Assets**

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 was as follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,000	\$23,670	(\$6,330)
Special Revenue	107,200	216,089	108,889
Total	\$137,200	\$239,759	\$102,559

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$60,130	(\$60,130)
Special Revenue	0	135,850	(135,850)
Total	\$0	\$195,980	(\$195,980)

**Note 4 - 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, 2019 was as follows:

Demand deposits      \$75,139

Deposits are insured by the Federal Depository Insurance Corporation.

**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 homestead and rollback deductions. The financial statement includes 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.

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 6 – Debt**

The Township received a note in 2015 through Kansas State Bank of Manhattan for the purchase of a backhoe. The original loan was for \$63,154. The full faith and credit of the Township is pledged to repay this debt. The note will be repaid from the gasoline tax fund. The Township made its last payment on this note during 2019.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Township's 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2019.

**Note 9 - Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.



**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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Assets	\$15,920,504
Liabilities	<u>(11,329,011)</u>
Net Position	<u>\$4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 10 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 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. In addition, the impact of the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 11 – Going Concern**

At December 31, 2019, the Township's general fund had a deficit fund cash balance of \$37,338. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the general fund.

**Note 12 – Compliance**

The Township had negative fund cash balances at year-end, which is contrary to Ohio Revised Code Section 5705.10(H). The Township had budgetary expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B). The Township did not properly encumber funds, which is contrary to Ohio Revised Code Section 5705.41(D). The Township does not have a properly designed accounting system for maintaining required budgetary and other financial information, which is contrary to Ohio Administrative Code Sections 117-2-02(C)(1) and 117-2-02(D). The Township did not document the adoption of its annual appropriation measure or file it with the County Auditor, which is contrary to Ohio Revised Code Section 5705.38. The Township did not calculate accurate salaries for elected officials nor were payroll certifications completed as required by Ohio Revised Code Sections 507.09 and 505.24. The Township did not properly document procedures related to contracting with a related party, which is contrary to Ohio Revised Code Section 2921.42. The Township does not have a public records policy or a records retention policy as required by Ohio Revised Code Section 149.43. The Township fiscal officer did not attend required investment training nor did she file the appropriate exemption as required by Ohio Revised Code Section 135.22. The Township did not maintain supporting documentation for several payroll and nonpayroll-related disbursements, which is contrary to Ohio Revised Code Section 149.351(A).

**Decatur Township**  
**Lawrence County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2018*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$8,706	\$5,131	\$13,837
Charges for Services	0	1,650	1,650
Intergovernmental	14,020	95,193	109,213
Earnings on Investments	4	0	4
Miscellaneous	1,029	0	1,029
<b>Total Cash Receipts</b>	<b>23,759</b>	<b>101,974</b>	<b>125,733</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	48,635	199	48,834
Public Safety	912	3,484	4,396
Public Works	0	77,842	77,842
Health	0	493	493
<b>Debt Service:</b>			
Redemption of Principal	0	12,971	12,971
Interest and Other Fiscal Charges	0	729	729
<b>Total Cash Disbursements</b>	<b>49,547</b>	<b>95,718</b>	<b>145,265</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(25,788)</b>	<b>6,256</b>	<b>(19,532)</b>
<b>Fund Cash Balances, January 1 - Restated</b>	<b>24,910</b>	<b>25,982</b>	<b>50,892</b>
<b>Restricted for:</b>			
Cemetery	0	1,157	1,157
Fire Operations	0	1,716	1,716
Road and Bridge Maintenance and Improvements	0	26,965	26,965
Committed	0	2,400	2,400
Unassigned (Deficit)	(878)	0	(878)
<b>Fund Cash Balances, December 31</b>	<b>(\$878)</b>	<b>\$32,238</b>	<b>\$31,360</b>

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

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

***Public Entity Risk Pool***

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 9 to the financial statement provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is 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 fund:

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

***Basis of Accounting***

This financial statement follows 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 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).

This statement includes 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.

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Budgetary Process***

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year-end.

*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.

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

A summary of 2018 budgetary activity appears in Note 3.

***Deposits***

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

***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.

*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*. 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.

*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

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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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.

**Capital Assets**

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 was as follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,000	\$23,759	(\$6,241)
Special Revenue	114,791	101,974	(12,817)
Total	\$144,791	\$125,733	(\$19,058)

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,700	\$49,547	\$5,153
Special Revenue	118,300	95,718	22,582
Total	\$173,000	\$145,265	\$27,735

**Note 4 - 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, 2018 was as follows:

Demand deposits      \$31,360

Deposits are insured by the Federal Depository Insurance Corporation.

**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 homestead and rollback deductions. The financial statement includes 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.

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Kansas State Bank-Backhoe	\$13,331	4.36%

The Township received a note in 2015 through Kansas State Bank of Manhattan for the purchase of a backhoe. The original loan was for \$63,154. The full faith and credit of the Township is pledged to repay this debt. The note will be repaid from the gasoline tax fund.

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

Year Ending December 31:	Backhoe
2019	\$13,700

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Township’s 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2018.

**Note 9 - Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Net Position	<u>\$4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 10 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 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. In addition, the impact of the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 11 – Going Concern**

At December 31, 2018, the Township's general fund had a deficit fund cash balance of \$878. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the general fund.

**Note 12 – Compliance**

The Township had negative fund cash balances at year-end, which is contrary to Ohio Revised Code Section 5705.10(H). The Township had budgetary expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B). The Township did not properly encumber funds, which is contrary to Ohio Revised Code Section 5705.41(D). The Township does not have a properly designed accounting system for maintaining required budgetary and other financial information, which is contrary to Ohio Administrative Code Sections 117-2-02(C)(1) and 117-2-02(D). The Township did not document the adoption of its annual appropriation measure, which is contrary to Ohio Revised Code Section 5705.38. The Township did not calculate accurate salaries for elected officials as required by Ohio Revised Code Sections 505.24 and 507.09. The Township does not have a public records policy or a records retention policy as required by Ohio Revised Code Section 149.43. The Township fiscal officer did not attend required investment training nor did she file the appropriate exemption as required by Ohio Revised Code Section 135.22. The Township did not maintain supporting documentation for several payroll and nonpayroll-related disbursements, which is contrary to Ohio Revised Code Section 149.351(A).

**Decatur Township**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 13 – Restatement of Beginning Fund Cash Balances**

During 2018, the Township discovered that it underrecorded a check in its 2017 cash journal when it cleared in 2018 for a different amount. The Township restated beginning fund cash balances to correct this error.

	Special Revenue Funds
Fund Cash Balances, As Reported, December 31, 2017	<u>\$29,332</u>
Restatement	<u>(3,350)</u>
Fund Cash Balances, As Restated, January 1, 2018	<u>\$25,982</u>



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees  
Decatur Township  
Lawrence County  
16976 State Route 93  
Pedro, Ohio 45659

We have audited in accordance with 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, the financial statements of Decatur Township, Lawrence County (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated March 5, 2021, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Township had a negative fund balance in the general fund at December 31, 2019 and 2018. Note 11 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township and the Township restated its beginning special revenue fund balance for 2018 due to an error in a prior period.

**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) to determine the 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 entity'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.

Decatur Township  
Lawrence County  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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 have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2019-001, 2019-005, 2019-007, 2019-009, 2019-010 and 2019-014 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-002 through 2019-008 and 2019-011 through 2019-014.

### **Township's Responses to Findings**

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

March 5, 2021

**Decatur Township**  
**Lawrence County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2019 and 2018*

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2019-001**

**Material Weakness – Financial Reporting**

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township’s financial statements. During 2019 and 2018, the Township erroneously posted receipts and disbursements to the incorrect accounts and, in certain instances, funds. These items required reclassifications and adjustments to properly present the activity of the Township for both years. Fund balances were also not properly classified. Additionally, the notes to the financial statements were not properly prepared and required modifications. These errors were corrected in the accompanying financial statements.

We recommend the Township implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and related note disclosures.

**Township Response:**

The Fiscal Officer will make sure all expenditures are paid from the correct funds.

**Finding Number 2019-002**

**Noncompliance Citation – Ohio Revised Code Section 5705.10(H)**

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

The Township had negative balances in the General fund during the year and at year end in 2018. In 2019 the Township had negative fund balances in the General fund and Gas Tax fund during the year and in the General fund at the end of the year. The Township should implement proper procedures to ensure that fund balance do not run into the negative.

**Township Response:**

The Township plans to be completely on UAN by December 31, 2021.

**Finding Number 2019-003**

**Noncompliance Citation – Ohio Revised Code Section 5705.41(B)**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township had expenditures in excess of appropriations in all funds at December 31, 2019 and in the Fire and Cemetery Funds at December 31, 2018. The Township should monitor financial activity to ensure the expenditures do not exceed the amounts appropriated.

**Township Response:**

The Fiscal Officer will monitor financial activity closer to not exceed appropriated amounts.

**Decatur Township**  
**Lawrence County**  
*Schedule of Findings and Responses*  
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**Finding Number 2019-004**

**Noncompliance Citation – Ohio Revised Code Section 5705.41(D)(1)**

Ohio Revised Code Section 5705.41(D)(1) states, in part, that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrants shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in subsections (D)(1) and (D)(3) of Section 5705.41, respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For one hundred percent (100%) of the sample of transactions tested, the Fiscal Officer failed to verify availability of funds before ordering the expenditure of money.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**Decatur Township**  
**Lawrence County**  
*Schedule of Findings and Responses*  
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**Noncompliance Citation – Ohio Revised Code Section 5705.41(D)(1) (Continued)**

We recommend the Fiscal Officer obtain the certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied.

**Township Response:**

The Township plans to be completely on UAN by December 31, 2021.

**Finding Number 2019-005**

**Noncompliance Citation/Material Weakness – Ohio Administrative Code 117-2-02(C)(1)**

Ohio Administrative Code 117-2-02(C)(1) states in part: all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Township's manual accounting system does not track appropriations, budgeted receipts, or encumbrances and unencumbered fund balances. The Fiscal Officer should ensure the appropriated amounts, per fund-function-object are being recorded in the Township's appropriation ledger and updated when amendments are made. Further, the Fiscal Officer should record budgeted receipts in the receipt ledger. Finally, the Fiscal Officer should monitor encumbrances and unencumbered fund balances.

**Township Response:**

The Township plans to be completely on UAN by December 31, 2021.

**Finding Number 2019-006**

**Noncompliance Citation – Ohio Revised Code Section 5705.38(A)**

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Township did not document the passage of an appropriation measure in the minutes for 2018 or 2019; however, the Clerk did file an appropriation measure with the County for 2018. The Township Trustees should pass an appropriation measure on or about the first day of each fiscal year and document such passage in the minute record. If the Township adopts a temporary measure, they must adopt a permanent measure no later than April 1. In addition, approved appropriations measures should be filed with the County Auditor for the approval of the Budget Commission.

**Township Response:**

The Fiscal Officer will make sure that the Board adopts or passes appropriations on the first day of each fiscal year and make sure that all are filed with the County Auditor.

**Decatur Township**  
**Lawrence County**  
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**Finding Number 2019-007**

**Noncompliance Citation/Material Weakness – Ohio Administrative Code Section 117-2-02 (D)**

Ohio Administrative Code Section 117-2-02 (D) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- 1) Cash journal, which typically contains the following information: the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- 2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- 3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

The Fiscal Officer maintains a cash journal, but does not track budgetary data within its manual accounting system. The Township should adopt proper procedures to ensure that all required budgetary data is documented within its accounting system.

**Township Response:**

The Township plans to be completely on UAN by December 31, 2021.

**Finding Number 2019-008**

**Noncompliance Citation – Ohio Revised Code Sections 505.24 and 507.09**

Ohio Revised Code Sections 505.24 and 507.09 state that township trustee and fiscal officer salaries are based on the annual budget of the township. Further, township trustee and fiscal officer salaries are to be paid from the general fund, or from other township funds based on the proportion of time the trustee or fiscal officer spends providing services related to each fund. Each trustee and the fiscal officer shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

The Township paid the fiscal officer and Township Trustees at the incorrect rate in both 2018 and 2019. This led to significant overpayments in both years. Further, the Fiscal Officer and Township Trustees did not complete payroll certification forms in 2019. This led to an adjustment of all 2019 elected official salaries back to the general fund. The Township should implement additional procedures to ensure that all elected officials are paid at the correct rate. Further, we recommend that the fiscal officer and all trustees complete a payroll certification form for each pay period in which the official's pay is not paid 100% from the general fund.

**Township Response:**

The Fiscal Officer will make sure that Township Trustees and Fiscal Officer are paid correct amount going forward. Will also make sure that a payroll certification form is completed at each meeting.

**Decatur Township**  
**Lawrence County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-009**

**Material Weakness – Reconciliation Process**

Having sound internal control procedures in place over the reconciliation process is essential to ensure the Township's cash balances are accurate. Also, maintenance of a current outstanding check listing is pertinent for a properly functioning reconciliation process.

The Fiscal Officer performed monthly reconciliations during the audit period on the back of the bank statements. However, the reconciled amounts did not agree to audited cash balances. It was also noted that bank reconciliations were not brought before the Board of Trustees for their review and approval. Finally, we noted outstanding checks that were more than one year old and one item on the December 2019 outstanding check listing that had already cleared the bank earlier in the year.

The Fiscal Officer should prepare detailed bank reconciliations that include all bank account balances being reconciled to total accounting system fund balances. We further recommend that copies of bank reconciliations be presented to the board of trustees for review, approval, and use in managing and making decisions for the township. The Township should also implement additional procedures to ensure that all outstanding checks are removed from the outstanding check listing once clearing the bank and old outstanding checks are reviewed and either reissued or voided and paid into an unclaimed monies fund.

**Township Response:**

The Fiscal Officer will present copy of bank reconciliations at each meeting.

**Finding Number 2019-010**

**Material Weakness – Payroll Controls**

Sound internal controls over disbursement of funds is pertinent to ensure that disbursements are accurate, complete, in compliance with applicable laws and regulations, and issued for a proper public purpose.

During testing of payroll disbursements, we noted the following issues:

- We could not verify that 2018 Q3 and Q4 941s or any quarters of 2019 were filed with the IRS. We noted 2019 941s were filed and paid in 2020. Additionally, we could not verify that 2018 and 2019 state tax returns were filed and that withholdings were paid to the State.
- We noted one employee that was paid at an incorrect rate and one employee that was being paid from an improper fund.
- Employee timesheets did not sufficiently document projects worked on to support pay from funds other than the general fund.
- Noted multiple late payments of OPERS withholdings. Also noted untimely filing of federal 941's resulting in a penalties/interest of \$530.15 being assessed to the Township.
- Noted the Fiscal Officer reported both W-2 wages and 1099 payment amounts on 2019 form 941s resulting in overpayment of taxes for the period.
- Noted in 2019 there was one instance where an employee was paid as a Township employee but had no OPERS or social security withheld from pay.

The Township should adopt proper procedures to ensure that employees are paid at the correct rate and that employees are paid from the correct funds. Additionally, the Township should require employees to more accurately document time worked on different projects to support pay from funds other than the general fund. Further, the Township should file and pay required reports in a timely manner. Finally, the Township should contact the various reporting agencies to reconcile any payroll withholdings that might be due do to the failure of the Township to file payroll tax reports or due to the failure to properly withhold taxes and retirements from employee wages.

**Decatur Township**  
**Lawrence County**  
*Schedule of Findings and Responses*  
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**Finding Number 2019-010 (Continued)**

**Material Weakness – Payroll Controls (Continued)**

**Township Response:**

The Fiscal Officer will make sure that all 941s and state tax returns are filed on time, also OPERS. The Fiscal Officer will also reach out to OPERS to inquire about employee that we stopped paying OPERS on.

**Finding Number 2019-011**

**Noncompliance Citation – Conflict of Interest**

Ohio Rev. Code Chapter 2921.42 states that:

(A) no public official shall knowingly do any of the following:

(1) Authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest;

(2) Authorize, or employ the authority or influence of the public official's office to secure the investment of public funds in any share, bond, mortgage, or other security, with respect to which the public official, a member of the public official's family, or any of the public official's business associates either has an interest, is an underwriter, or receives any brokerage, origination, or servicing fees;

(3) During the public official's term of office or within one year thereafter, occupy any position of profit in the prosecution of a public contract authorized by the public official or by a legislative body, commission, or board of which the public official was a member at the time of authorization, unless the contract was let by competitive bidding to the lowest and best bidder;

(4) Have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected;

(5) Have an interest in the profits or benefits of a public contract that is not let by competitive bidding if required by law and that involves more than one hundred fifty dollars.

(C) this section does not apply to a public contract in which a public official, member of a public official's family, or one of a public official's business associates has an interest, when all of the following apply:

(1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;

(2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;

(3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;



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**Finding Number 2019-011 (Continued)**

**Noncompliance Citation – Conflict of Interest (Continued)**

(4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

(H) Any public contract in which a public official, a member of the public official's family, or any of the public official's business associates has an interest in violation of this section is void and unenforceable. Any contract securing the investment of public funds in which a public official, a member of the public official's family, or any of the public official's business associates has an interest, is an underwriter, or receives any brokerage, origination, or servicing fees and that was entered into in violation of this section is void and unenforceable.

(I) As used in this section:

(1) "Public contract" means any of the following:

(a) The purchase or acquisition, or a contract for the purchase or acquisition, of property or services by or for the use of the state, any of its political subdivisions, or any agency or instrumentality of either, including the employment of an individual by the state, any of its political subdivisions, or any agency or instrumentality of either;

(b) A contract for the design, construction, alteration, repair, or maintenance of any public property.

During 2019, the Township paid \$26,180 to the cousin of a council member to clean up a burned-down property within the Township. The Township did not note within the minutes whether the contract was approved by the Trustees or how the Trustees voted.

The Township should implement procedures to ensure that contracts are not entered into with related parties without prior consultation with legal counsel or the Ohio Ethics Commission. Additionally, the Fiscal Officer and Board of Trustees should ensure that due care is taken when preparing and reviewing minutes to ensure that all necessary documentation, including whether a Trustee votes for or abstains from an action, are properly documented within the official minute record.

**Township Response:**

The Township will seek legal Counsel about contract with related parties. Also, the Township will make sure and document properly in official minutes.

**Decatur Township**  
**Lawrence County**  
*Schedule of Findings and Responses*  
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**Finding Number 2019-012**

**Noncompliance Citation – Public Records and Retention Policy**

Ohio Revised Code Section 149.43(B)(2) states that the entity shall have available a copy of its current records retention schedule at a location readily available to the public.

Ohio Revised Code Section 149.43(E)(2) states that all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under section 109.43 of the Revised Code. Except as otherwise provided in this section, the policy may not limit the number of public records that the public office will make available to a single person, may not limit the number of public records that it will make available during a fixed period of time, and may not establish a fixed period of time before it will respond to a request for inspection or copying of public records, unless that period is less than eight hours.

The public office shall distribute the public records policy adopted by the public office under this division to the employee of the public office who is the records custodian or records manager or otherwise has custody of the records of that office. The public office shall require that employee to acknowledge receipt of the copy of the public records policy. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site. A public office that has established a manual or handbook of its general policies and procedures for all employees of the public office shall include the public records policy of the public office in the manual or handbook.

The Township does not have a public records policy or a records retention policy. The Township should adopt and implement a public records policy and a records retention policy in accordance with the Ohio Revised Code.

**Township Response:**

The Township will implement a public record policy and retention policy at next meeting.

**Finding Number 2019-013**

**Noncompliance Citation – Investment Training**

Ohio Revised Code Section 135.22 states that subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State. The Treasurer of State issues a certificate indicating that the treasurer has successfully completed the continuing education program. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the treasurer is not subject to the continuing education requirements because the treasury invests or deposits public funds in interim deposits or STAR Ohio.

The Fiscal Officer did not provide the annual certificate of completion or a notice of exemption. The Township should implement procedures to ensure all required annual training is completed or that an annual notice of exemption is filed with the Auditor of State.

**Township Response:**

The Fiscal Officer will complete all required annual training going forward. If not, I will make sure a notice of exemption is filed with the Auditor of State.

**Decatur Township**  
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*Schedule of Findings and Responses*  
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**Finding Number 2019-014**

**Noncompliance Citation/Material Weakness – Supporting Documentation**

Ohio Revised Code Section 149.351(A) states that all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

We noted multiple instances in which supporting documentation was not maintained for nonpayroll disbursement and purchase order testing. Additionally, in testing of payroll disbursements, we noted that supporting documentation was not maintained for OPERS withholding reports, federal and state tax reports, and BWC true-up calculations. The Township should implement procedures to ensure original supporting documentation is maintained for all disbursements.

**Township Response:**

The Fiscal Officer will make sure that she has supporting documentation for all disbursements.

**Decatur Township**  
**Lawrence County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2019 and 2018*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding 2017-001	Noncompliance – Ohio Revised Code Section 5705.41(D)(1)	No	Reissued as Finding 2019-004
Finding 2017-002	Noncompliance/Material Weakness – Ohio Revised Code Section 117-2-02(D)	No	Reissued as Finding 2019-007
Finding 2017-003	Noncompliance/Material Weakness – Ohio Revised Code Section 117-2-02(C)(1)	No	Reissued as Finding 2019-005
Finding 2017-004	Noncompliance Citation – Ohio Revised Code Section 149.43(E)	No	Reissued as Finding 2019-012
Finding 2017-005	Noncompliance Citation – Ohio Revised Code Section 705.27	Yes	
Finding 2017-006	Noncompliance Citation – Ohio Revised Code Section 135.22 – Continuing Education	No	Reissued as Finding 2019-013
Finding 2017-007	Material Weakness – Effective accounting system	No	Reissued as Finding 2019-009

# OHIO AUDITOR OF STATE KEITH FABER



**DECATUR TOWNSHIP**

**LAWRENCE 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 1/4/2022**

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](http://www.ohioauditor.gov)