



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2017 and 2016
Fiscal Years Audited Under GAGAS: 2017 and 2016

OHIO AUDITOR OF STATE KEITH FABER



Board of Trustees
Pickaway Township
6166 Zane Trail Road
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of Pickaway Township, Pickaway County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 3, 2019

This page intentionally left blank.

Pickaway Township
Pickaway County
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2017.....	3
Notes to the Financial Statements for the Year Ended December 31, 2017.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2016.....	12
Notes to the Financial Statements for the Year Ended December 31, 2016.....	13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20
Schedule of Audit Findings	22
Schedule of Prior Audit Findings	28

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

Pickaway Township
Pickaway County
6166 Zane Trail Road
Circleville, Ohio 43113

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Pickaway Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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, 2017 and 2016, 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 by fund type, and related notes of Pickaway Township, Pickaway County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, 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.



BHM CPA Group, Inc.
Piketon, Ohio
January 25, 2019

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 231,959	\$ 119,200	\$ -	\$ 351,159
Intergovernmental	45,807	125,802	-	171,609
Charges for Services	-	240,121	-	240,121
Fines, Licenses, and Permits	14,383	-	-	14,383
Earnings on Investments	587	9	-	596
	<u>292,736</u>	<u>485,132</u>	<u>-</u>	<u>777,868</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	155,059	-	-	155,059
Public Safety	-	393,608	-	393,608
Public Works	500	200,945	-	201,445
Health	7,323	-	-	7,323
Capital Outlay	3,000	15,000	-	18,000
Debt Service:				
Redemption of Principal	-	40,089	-	40,089
Interest and Fiscal Charges	-	3,358	-	3,358
	<u>165,882</u>	<u>653,000</u>	<u>-</u>	<u>818,882</u>
Total Cash Disbursements				
Excess of Receipts Over/(Under) Disbursements	126,854	(167,868)	-	(41,014)
Other Financing Receipts (Disbursements):				
Transfers-In	-	204,995	-	204,995
Transfers-Out	(204,995)	-	-	(204,995)
Other Sources	14,632	8,075	-	22,707
	<u>(190,363)</u>	<u>213,070</u>	<u>-</u>	<u>22,707</u>
Total Other Financing Receipts(Disbursements)				
Net Change in Fund Cash Balances	(63,509)	45,202	-	(18,307)
Fund Cash Balances, January 1	374,685	109,835	1,352	485,872
Fund Cash Balances, December 31				
Nonspendable	-	-	1,352	1,352
Restricted	-	155,037	-	155,037
Unassigned (Deficit)	311,176	-	-	311,176
	<u>311,176</u>	<u>155,037</u>	<u>1,352</u>	<u>467,565</u>
Fund Cash Balances, December 31	<u>\$ 311,176</u>	<u>\$ 155,037</u>	<u>\$ 1,352</u>	<u>\$ 467,565</u>

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

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Pickaway Township, Pickaway County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Circleville Township to provide fire services and to provide ambulance services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a risk sharing pool. Note 6 to the financial statements provides additional information for the risk pool. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

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

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

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

Fire and Ambulance Fund This fund receives fire and ambulance contract for the operation of the volunteer fire and ambulance service.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Cemetery Bequest Fund The cemetery bequest fund accounts for and reports interest earned on the nonexpendable donation to the cemetery and is used for the general maintenance of the cemetery.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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 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.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$228,357	\$307,368	\$79,011
Special Revenue	463,352	698,202	234,850
Total	\$691,709	\$1,005,570	\$313,861

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$584,346	\$370,877	\$213,469
Special Revenue	778,546	653,000	125,546
Total	\$1,362,892	\$1,023,877	\$339,015

Note 4 – 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:

	2017
Demand deposits	\$466,565
Certificates of deposit	1,000
Total deposits and investments	\$467,565

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Township.

Note 5 – Property Taxes

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

At December 31, 2017 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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.

<u>2017 Contributions to OTARMA</u>
\$16,410

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2017.

Note 8 – Postemployment Benefits

Both OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$49,042	0.00%
The Savings Bank	\$20,000	5.00%
KNB - Truck	\$18,192	2.60%
KNB - Dump Truck	68,482	2.95%
Total	\$155,716	

The Township issued an Ohio Public Works Commission (OPWC) note in 2007 to finance the replacement of a Township Road, to be repaid from the Gasoline Tax Fund over a twenty-year period.

In 2012, the Township received a loan in the amount of \$20,000 from the Savings Bank for the purchase of a rescue system. This loan was to be repaid in one installment in 2014 but there was no evidence of repayment.

In 2013, the Township received a loan in the amount of \$93,302 from the Kingston National Bank for the purchase of a new dump truck. The loan is to be repaid over a 5 year period from the Gasoline Tax Fund.

During 2016, the Township entered into a loan for a 2017 Ford 550 in the amount of \$84,532. The loan is to be repaid over a 5 year period.

Amortization

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

Year Ending December 31:	OPWC	Savings Bank	KNB Dump Truck	KNB Truck
2018	5,162	21,000	17,983	18,248
2019	5,162	0	0	18,248
2020	5,162	0	0	18,247
2021	5,162	0	0	18,247
2022	5,162	0	0	0
2023-2027	25,810	0	0	0
Total	\$51,620	\$21,000	\$17,983	\$72,990

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Compliance

Contrary to Ohio Revised Code section 5705.41D, the township didn't properly certify funds during 2017.

Contrary to Ohio Revised Code section 5705.39, the township had appropriations in excess of estimated resources in the Gasoline Tax and Road & Bridge funds during 2017.

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 211,348	\$ 117,671	\$ -	\$ 329,019
Intergovernmental	57,174	134,833	-	192,007
Charges for Services	-	209,620	-	209,620
Fines, Licenses, and Permits	44,492	-	-	44,492
Earnings on Investments	428	55	-	483
	<u>313,442</u>	<u>462,179</u>	<u>-</u>	<u>775,621</u>
Total Cash Receipts				
	313,442	462,179	-	775,621
Cash Disbursements:				
Current:				
General Government	233,418	-	-	233,418
Public Safety	-	214,724	-	214,724
Public Works	682	206,183	-	206,865
Health	6,570	-	-	6,570
Capital Outlay	-	99,532	-	99,532
Debt Service:			-	
Redemption of Principal	-	23,549	-	23,549
Interest and Fiscal Charges	-	1,599	-	1,599
	<u>240,670</u>	<u>545,587</u>	<u>-</u>	<u>786,257</u>
Total Cash Disbursements				
	240,670	545,587	-	786,257
Excess of Receipts Over/(Under) Disbursements	72,772	(83,408)	-	(10,636)
Other Financing Receipts (Disbursements):				
Proceeds from Loans	-	84,532	-	84,532
Other Sources	8,074	1,699	-	9,773
	<u>8,074</u>	<u>86,231</u>	<u>-</u>	<u>94,305</u>
Total Other Financing Receipts(Disbursements)				
	8,074	86,231	-	94,305
Net Change in Fund Cash Balances	80,846	2,823	-	83,669
Fund Cash Balances, January 1	293,839	107,012	1,352	402,203
Fund Cash Balances, December 31				
Nonspendable	-	-	1,352	1,352
Restricted	-	109,835	-	109,835
Unassigned (Deficit)	374,685	-	-	374,685
	<u>374,685</u>	<u>-</u>	<u>-</u>	<u>374,685</u>
Fund Cash Balances, December 31	<u>\$ 374,685</u>	<u>\$ 109,835</u>	<u>\$ 1,352</u>	<u>\$ 485,872</u>

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

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Pickaway Township, Pickaway County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Circleville Township to provide fire services and to provide ambulance services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a risk sharing pool. Note 6 to the financial statements provides additional information for the risk pool. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

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

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

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

Fire and Ambulance Fund This fund receives fire and ambulance contract for the operation of the volunteer fire and ambulance service.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Cemetery Bequest Fund The cemetery bequest fund accounts for and reports interest earned on the nonexpendable donation to the cemetery and is used for the general maintenance of the cemetery.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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 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.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$228,357	\$321,516	\$93,159
Special Revenue	532,865	548,410	15,545
Total	\$761,222	\$869,926	\$108,704

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$421,796	\$240,670	\$181,126
Special Revenue	603,722	545,587	58,135
Total	\$1,025,518	\$786,257	\$239,261

Note 4 – 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:

	2016
Demand deposits	\$484,872
Certificates of deposit	1,000
Total deposits and investments	\$485,872

Note 5 – Property Taxes

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

Note 6 – Risk Management

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.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

<u>2016 Contributions to OTARMA</u>
\$16,140

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2016.

Note 8 – Postemployment Benefits

Both OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$54,204	0.00%
The Savings Bank	\$20,000	5.00%
KNB - Truck	\$37,069	2.60%
KNB - Dump Truck	84,532	2.95%
Total	\$195,805	

Pickaway Township
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Township issued an Ohio Public Works Commission (OPWC) note in 2007 to finance the replacement of a Township Road, to be repaid from the Gasoline Tax Fund over a twenty-year period.

In 2012, the Township received a loan in the amount of \$20,000 from the Savings Bank for the purchase of a rescue system. This loan was to be repaid in one installment in 2014 but there was no evidence of repayment.

In 2013, the Township received a loan in the amount of \$93,302 from the Kingston National Bank for the purchase of a new dump truck. The loan is to be repaid over a 5 year period from the Gasoline Tax Fund.

During 2016, the Township entered into a loan for a 2017 Ford 550 in the amount of \$84,532. The loan is to be repaid over a 5 year period.

Amortization

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

Year Ending December 31:	OPWC	Savings Bank	KNB Dump Truck	KNB Truck
2017	\$5,162	\$21,000	\$19,987	\$18,248
2018	5,162	0	17,983	18,248
2019	5,162	0	0	18,248
2020	5,162	0	0	18,247
2021	5,162	0	0	18,247
2022-2026	25,810	0	0	0
2027	5,162	0	0	0
Total	<u>\$56,782</u>	<u>\$21,000</u>	<u>\$37,970</u>	<u>\$91,238</u>

Note 10 – Compliance

Contrary to Ohio Revised Code section 5705.41D, the township didn't properly certify funds during 2016.



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

Pickaway Township
Pickaway County
6166 Zane Trail Road
Circleville, Ohio 43113

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 the cash balances, receipts, and disbursements by fund type of the Pickaway Township, Pickaway County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated January 25, 2019 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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. We consider findings 2017-001 and 2017-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-003 through 2017-005 and 2017-011 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-003 and 2017-006 through 2017-010.

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 report is not suitable for any other purpose.



BHM CPA Group, Inc.
Piketon, Ohio
January 25, 2019

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-001

Material Weakness - *Financial Reporting*

Sound financial reporting is the responsibility of the fiscal officer and Board of Trustees and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Intergovernmental Receipts
- Proceeds from loan
- Principal and Interest Payments
- General Government Disbursements
- Public Works Disbursements
- Fund Balances
- Notes to the financial statements required corrections and updates.

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

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Client Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-002

Material Weakness/Non-Compliance

Ohio Revised Code section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

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

1. "Then and Now" Certificate – if the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("Now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment or ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-002

(Continued)

2. Blanket Certificate – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township’s Fiscal Officer did not certify the availability of funds prior to making commitments during 2017 for 26% of disbursements tested and during 2016 for 12% of disbursement tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Township’s Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code section 5705.41(D) requires to authorize disbursements.

Client Response: We did not receive a response from Officials to this finding

FINDING NUMBER 2017-003

Significant Deficiency - *Internal Controls related to service organization*

When designing the public office’s system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management’s policies.
- Ensure that accounting records are properly designed
- Ensure adequate security of assets and records
- Plan for adequate segregation of duties or compensating controls
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records
- Perform analytical procedures to determine the reasonableness of financial data
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements
- Monitor activities performed by service organizations.

The Township has delegated ambulance service billing processing, which is a significant accounting function to a third-party administrator (Medicount). SSAE No. 116 requires service organizations to have a report conducted in accordance with American Institute of Certified Public Accountants’ (AICPA) standards by a firm registered and considered in “good standing” with the Accountancy Board of the respective state. Medicount does have the SSAE No. 16 report, however the Township did not review the report. Furthermore, the Township has not implemented internal controls to monitor the ambulance service billing process.

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-003
(Continued)

The Township should implement internal control measures to monitor the ambulance service billing process. The Township should receive or request monthly EMS billing reports from Medicount, however, there is no documentation of supervisory review of these monthly reports. To improve internal controls, we recommend that the Township document their review of the monthly billing reports received from Medicount. The monthly billing reports should be marked with the reviewer's initials (or signature) and the date. The monthly billing reports should also be compared to the EMS run sheets or run logs to ensure they are accurate and complete. Additionally, the Township should reconcile to the receipts received and posted by the Township and report to Medicount as received to ensure all revenue is reported correctly by Medicount on the monthly reports.

Client Response: We did not receive a response from Officials to this finding

FINDING NUMBER 2017-004

Significant Deficiency - *Internal Controls related to Disbursements*

When designing the public office's system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed
- Ensure adequate security of assets and records
- Plan for adequate segregation of duties or compensating controls
- Perform analytical procedures to determine the reasonableness of financial data
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements

Public funds were used to pay late fees and other fees. This improper use of funds was not detected in a timely manner by the Township's control structure and represents a significant deficiency in the control environment. Late fees were noted to be paid out of several funds during the course of the audit which was not prevented or detected by the Township's internal controls over financial reporting. We have referred the payments of late fees and other fees to the Auditor of State for further review.

To ensure public monies are used for the purposes for which they were raised, financial management should review the Ohio Revised Code and perform a more detailed review of purchases before they are made. Professional services should be advised if financial management is unsure of a financial decision.

Client Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-005

Significant Deficiency - *Internal Controls related to Cash Reconciliations*

An outstanding check list is maintained to account for any checks that have not cleared the bank at the end of the month when a cash reconciliation is completed. A reconciliation is a monitoring control that ensures accountability for all expenditures and payments.

At December 31, 2017, the Township's outstanding check included checks dating back to 1999. In addition, there's no policy or procedures to address older outstanding checks.

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-005
(Continued)

As part of the reconciliation process, we recommend the Township adopt an outstanding check policy. This policy should include a deadline when the check should be deposited. For outstanding checks not redeemed prior to that date, they should be cancelled and replenished back to that respective fund.

The corresponding activity should be adjusted to the respective accounting records. Additionally, the Township Trustees should review the monthly cash reconciliation for unusual reconciling items and question old checks that have not cleared the bank or have not met the policy procedures. Follow-up by the trustees should be documented and be completed in a timely manner.

Client Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-006

Noncompliance

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate.

At December 31, 2017, appropriations exceeded estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
Gasoline	\$ 111,765	\$ 146,765	(\$ 35,000)
Road and Bridge	\$ 179,835	\$ 205,908	(\$ 26,073)

This could result in overspending of available resources.

The Fiscal Officer should monitor the approved appropriations to ensure they do not exceed the estimated resources on the amended certificates.

Client Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-007

Noncompliance

26. U.S.C. 3402(a)(1) requires employers to withhold and remit federal income taxes from the wages of employees and elected officials.

The Township was unable to provide 941 quarterly reports for the 2016 and 2017 fiscal years. Due to the lack of supporting documentation related to federal taxes we were not able to determine if proper payments were remitted to the federal reporting agency by the Township during the 2016 and 2017 fiscal years.

We recommend that Pickaway Township remit taxes withheld on a timely basis. Additionally, the Township should maintain documentation concerning the remittance of federal income taxes as well as the required reports.

Client Response: We did not receive a response from Officials to this finding

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-008

Noncompliance

Ohio Revised Code 5705.10 states that money paid into a fund shall only be used for the purposes for which the fund is established.

The Township had several invoices that were paid late during the audit period. These late payments resulted in the Township incurring late charges which is deemed an improper use of public funds.

The Township should adopt procedures to ensure that all payments are being made when due to avoid any late charges.

Client Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-009

Noncompliance

Ohio Rev Code 149.43 (E) states that the Ohio Attorney General shall develop and provide to all public offices a model public records policy for responding to public records requests in compliance with Ohio Rev. Code 149.43 in order to provide guidance to public offices in developing their own public record policies. The Ohio Attorney General's office has provided an example policy at www.ag.state.oh.us/publicrecords/modelpolicy.asp.

The Public Records Policy must adhere to the following requirements:

1. The policy must be distributed to all employees for compliance with Open Records Laws. The Township is required to distribute their Public Records Policy to the employee who is the records custodian/manager of otherwise has custody of the records of that office.
2. All public offices were required by September 2007 to create a poster describing its public records policy. The poster is required to be posted in a conspicuous place in the public office.
3. The policy should be included in the employee policies and procedures manual.
4. Any schedule for destruction of records must be sent to the Ohio Historical Society for review to determine whether any of the records are of historical Value.

It was noted during the audit that the Township did not adopt a Public records policy. A public records policy is required to ensure the Township is in compliance with all the public records laws. All Township employees need to be aware of the public record laws and what procedures to follow when a member of the public requests to examine public records.

We recommend the Township adopt a public records policy and records retention policy that is modeled after the example published by the Ohio Attorney General.

Client Response: We did not receive a response from Officials to this finding.

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-010

Noncompliance

Subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State (TOS). The TOS issues certificates 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 (and confirmable through the TOS searchable database weblink below) that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only (Ohio Rev. Code § 135.22):

- (1) Interim deposits pursuant to Ohio Rev. Code §§ 135.14(B)(3) or 135.145 (CDAR and similar programs);
- (2) STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6);
- (3) No-load money market mutual funds pursuant to Ohio Rev. Code § 135.14 (B)(5)

Because the Township only has interim deposits they are not required to take the TOS required training course. However, an exemption should be filed with the AOS.

During testing of compliance, it was noted that the Fiscal Officer had not filed CPIM training exemptions with the Auditor of State for current audit period.

We recommend that the Fiscal Officer annually obtain the required training or provide a notice of exemption to the AOS so long as they are not required to take the investment training.

Client Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-011

Significant Deficiency - *Internal Controls related to Payroll Disbursements*

When designing the public office's system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed
- Ensure adequate security of assets and records
- Plan for adequate segregation of duties or compensating controls
- Perform analytical procedures to determine the reasonableness of financial data
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements

During testing of payroll expenditures, it was noted that employees and management were not signing off on and properly reviewing time sheets during 2016 and 2017.

We recommend that the Township properly review and sign off on employee timesheets during each pay period.

Client Response: We did not receive a response from Officials to this finding.

PICKAWAY TOWNSHIP
PICKAWAY COUNTY
DECEMBER 31, 2017 AND 2016

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	Material Weakness – Financial Reporting	No	Reissued as finding 2017-001
2015-002	Material Weakness – Control Environment – Payroll	Yes	
2015-003	Non-Compliance – ORC 5705.41(D)(1)	No	Reissued as finding 2017-002
2015-004	Non-Compliance – ORC 5705.41B	Yes	

OHIO AUDITOR OF STATE
KEITH FABER



PICKAWAY TOWNSHIP

PICKAWAY 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
APRIL 16, 2019**