



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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PICKAWAY TOWNSHIP
PICKAWAY COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Pickaway Township, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. 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 "Dave Yost".

Dave Yost
Auditor of State

November 18, 2014

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Pickaway Township
Pickaway County, Ohio
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For the Fiscal Years Ended December 31, 2013 and 2012

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

We were unable to obtain sufficient evidence to support the completeness or accuracy of payroll disbursements for Emergency Medical Services (EMS) or road maintenance employees reported in the special revenue funds during 2012. These unsupported transactions represent 31% of the 2012 special revenue funds cash disbursements. We were also unable to obtain sufficient evidence to support the completeness or accuracy of the non-payroll disbursements reported in the special revenue funds during 2013 and 2012. The unsupported transactions represent 10% and 7% of the 2013 and 2012 special revenue funds cash disbursements, respectively. Consequently, we were unable to determine whether any adjustments to these amount were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the Basis for Additional Opinion Qualification paragraph, the financial statements referred to above present fairly, in all material respects, the combined special revenue cash balances of Pickaway Township, Pickaway County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the general fund and permanent fund cash balances of Pickaway Township, Pickaway County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
September 29, 2014

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, 2013

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts				
Property and Other Local Taxes	\$ 166,525	\$ 92,838	\$ -	\$ 259,363
Intergovernmental	101,530	114,754	-	216,284
Charges for Services	-	306,551	-	306,551
Licenses, Permits and Fees	1,200	-	-	1,200
Interest	389	68	-	457
<i>Total Cash Receipts</i>	<u>269,644</u>	<u>514,211</u>	<u>-</u>	<u>783,855</u>
Cash Disbursements				
Current:				
General Government	172,780	-	-	172,780
Public Safety	-	225,436	-	225,436
Public Works	483	215,809	-	216,292
Health	7,354	-	-	7,354
Capital Outlay	108,817	118,102	-	226,919
Debt Service:				
Principal Retirement	-	11,818	-	11,818
Interest and Fiscal Charges	-	745	-	745
<i>Total Cash Disbursements</i>	<u>289,434</u>	<u>571,910</u>	<u>-</u>	<u>861,344</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>(19,790)</u>	<u>(57,699)</u>	<u>-</u>	<u>(77,489)</u>
Other Financing Sources				
Sale of Notes	-	93,302	-	93,302
Other Financing Sources	20,073	7,417	-	27,490
<i>Total Other Financing Sources</i>	<u>20,073</u>	<u>100,719</u>	<u>-</u>	<u>120,792</u>
<i>Net Change in Fund Cash Balances</i>	283	43,020	-	43,303
<i>Fund Cash Balances, January 1</i>	<u>314,345</u>	<u>54,260</u>	<u>1,352</u>	<u>369,957</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,000	1,000
Restricted	-	97,280	352	97,632
Unassigned	314,628	-	-	314,628
<i>Fund Cash Balances, December 31</i>	<u>\$ 314,628</u>	<u>\$ 97,280</u>	<u>\$ 1,352</u>	<u>\$ 413,260</u>

See accompanying notes to the financial statements.

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, 2012

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts				
Property and Other Local Taxes	\$ 190,069	\$ 122,402	\$ -	\$ 312,471
Intergovernmental	91,891	114,226	-	206,117
Charges for Services	-	214,086	-	214,086
Licenses, Permits and Fees	11,708	-	-	11,708
Interest	300	152	-	452
<i>Total Cash Receipts</i>	<u>293,968</u>	<u>450,866</u>	<u>-</u>	<u>744,834</u>
Cash Disbursements				
Current:				
General Government	179,216	-	-	179,216
Public Safety	-	255,376	-	255,376
Public Works	587	251,662	-	252,249
Health	6,438	-	-	6,438
Capital Outlay	27,231	-	-	27,231
Debt Service:				
Principal Retirement	-	33,668	-	33,668
Interest and Fiscal Charges	-	2,156	-	2,156
<i>Total Cash Disbursements</i>	<u>213,472</u>	<u>542,862</u>	<u>-</u>	<u>756,334</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>80,496</u>	<u>(91,996)</u>	<u>-</u>	<u>(11,500)</u>
Other Financing Sources				
Sale of Notes	-	20,000	-	20,000
Other Financing Sources	5,438	-	-	5,438
<i>Total Other Financing Sources</i>	<u>5,438</u>	<u>20,000</u>	<u>-</u>	<u>25,438</u>
<i>Net Change in Fund Cash Balances</i>	<u>85,934</u>	<u>(71,996)</u>	<u>-</u>	<u>13,938</u>
<i>Fund Cash Balances, January 1</i>	<u>228,411</u>	<u>126,256</u>	<u>1,352</u>	<u>356,019</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,000	1,000
Restricted	-	81,387	352	81,739
Unassigned (Deficit)	314,345	(27,127)	-	287,218
<i>Fund Cash Balances, December 31</i>	<u>\$ 314,345</u>	<u>\$ 54,260</u>	<u>\$ 1,352</u>	<u>\$ 369,957</u>

See accompanying notes to the financial statements.

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Township participates in the Ohio Township Risk Management Authority (OTARMA) which is an insurance risk-sharing pool available to Ohio Townships. Note 7 provides additional information regarding this entity.

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

B. Accounting Basis

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

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

C. Cash and Deposits

The Township deposits all available funds in an interest earning checking account at a local commercial bank. All deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

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

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

Motor Vehicle License Tax Fund – This fund receives license tax receipts for constructing, maintaining, and repairing Township roads and bridges.

The Fire and Emergency Fund – This fund accumulates tax levy and charges for services receipts for the provision of fire protection and EMS services to the Township and contracting governments.

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

3. Permanent Fund

These funds account for and report assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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.

PICKAWAY TOWNSHIP
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

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

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

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (continued)

5. Unassigned

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

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

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2013	2012
Demand Deposits	<u>\$ 413,260</u>	<u>\$ 369,957</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 194,408	\$ 289,717	\$ 95,309
Special Revenue	501,776	614,930	113,154
Permanent	-	-	-
Total	\$ 696,184	\$ 904,647	\$ 208,463

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 568,274	\$ 289,434	\$ 278,840
Special Revenue	497,065	571,910	(74,845)
Permanent	-	-	-
Total	\$ 1,065,339	\$ 861,344	\$ 203,995

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 155,452	\$ 299,406	\$ 143,954
Special Revenue	410,811	470,866	60,055
Permanent	-	-	-
Total	\$ 566,263	\$ 770,272	\$ 204,009

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 357,087	\$ 213,472	\$ 143,615
Special Revenue	564,193	542,862	21,331
Permanent	-	-	-
Total	\$ 921,280	\$ 756,334	\$ 164,946

During 2013, the Township had expenditures in excess of appropriations in the Road and Bridge Fund in the amount of \$88,302, a violation of Ohio Revised Code Section 5705.41(B).

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$69,691	0.00%
Kingston National Bank – Tractor	14,036	3.60%
The Savings Bank	20,000	5.00%
Kingston National Bank – Dump Truck	93,302	2.95%
Total	\$197,029	

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 2010, the Township received a loan in the amount of \$33,710 from the Kingston National Bank for the purchase of a new tractor. The loan is to be repaid over a period of 5 years from the Gasoline Tax Fund. 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 will be repaid in one installment in 2014. 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.

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

Year ending December 31:	OPWC	KNB	Savings	KNB
		Tractor	Bank	Dump Truck
2014	\$ 5,162	\$ 7,401	\$ 21,000	\$ 19,986
2015	5,162	7,401	0	19,987
2016	5,162	0	0	19,986
2017	5,162	0	0	19,987
2018	5,162	0	0	19,987
2019-2023	25,812	0	0	0
2024-2027	18,068	0	0	0
Total	\$ 69,690	\$ 14,802	\$ 21,000	\$ 99,933

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

Risk Pool Membership

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

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

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, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

7. RISK MANAGEMENT (continued)

Financial Position

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

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

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

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

Contributions to OTARMA	
2013	\$838
2012	\$15,114

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.

8. CONTINGENT LIABILITIES

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

9. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the governmental funds are presented below:

Fund Balances	General	Special Revenue Funds	Permanent Fund	Total Governmental Funds
12/31/2012				
Nonspendable				
Cemetery	\$0	\$0	\$1,000	\$1,000
Restricted for				
Motor Vehicle & License	0	8,863	0	8,863
Gas Tax	0	10,982	0	10,982
Road	0	61,542	0	61,542
Cemetery	0	0	352	352
Total Restricted	<u>0</u>	<u>81,387</u>	<u>352</u>	<u>81,739</u>
Unassigned (Deficit)	<u>314,345</u>	<u>(27,127)</u>	<u>0</u>	<u>287,218</u>
Total Fund Balances	<u>\$314,345</u>	<u>\$54,260</u>	<u>\$1,352</u>	<u>\$369,957</u>
12/31/2013				
Nonspendable				
Cemetery	\$0	\$0	\$1,000	\$1,000
Restricted for				
Motor Vehicle & License	0	1,587	0	1,587
Gas Tax	0	12,191	0	12,191
Road	0	29,514	0	29,514
Cemetery	0	0	352	352
Fire	0	53,988	0	53,988
Total Restricted	<u>0</u>	<u>97,280</u>	<u>352</u>	<u>97,632</u>
Unassigned	<u>314,628</u>	<u>0</u>	<u>0</u>	<u>314,628</u>
Total Fund Balances	<u>\$314,628</u>	<u>\$97,280</u>	<u>\$1,352</u>	<u>\$413,260</u>



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 Rd
Circleville, Ohio 43113

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Pickaway Township, Pickaway County, (the Township) as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, and have issued our report thereon dated September 29, 2014, wherein we noted the Township followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion over the combined special revenue funds due to the lack of appropriate audit evidence supporting payroll and non-payroll disbursements.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001, 2013-002, and 2013-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001, 2013-003, 2013-004, and 2013-006.

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
September 29, 2014

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY
DECEMBER 31, 2013 AND 2012
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness/Noncompliance Citation — Financial Reporting

Ohio Rev. Code Section 5705.09 (F) requires that each subdivision shall establish a special fund for each source of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

In addition, per **Ohio Rev. Code Section 505.84**, Fire and EMS charges shall be kept in a separate fund designated as "the fire and rescue services, ambulance services, and emergency medical services fund," and shall be appropriated and administered by the board.

Procedures and controls should be in place to prevent and detect errors in the accounting records and financial statements to help assure that the users have accurate and complete information.

For the 2013 financial statements and records, \$225,436 in Public Safety expenditures and \$306,551 in Charges for Services revenues for Fire and EMS services were improperly posted to the General Fund. These amounts were adjusted from the General Fund to the Fire/EMS Special Revenue Fund.

For the 2012 financial statements and records, \$255,376 in Public Safety expenditures and \$214,086 in Charges for Services for Fire and EMS services were improperly posted to the General Fund. These amounts were adjusted from the General Fund to the Fire/EMS Special Revenue Fund.

The accompanying financial statements and the accounting records, have been adjusted to correct the errors noted above.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Township Fiscal Officer and the Trustees to monitor financial activity and to make sound financial decision. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The Township Fiscal Officer should review the Ohio Township Handbook and the applicable Auditor of State Bulletins to ensure receipts and expenditures are properly posted and classified and to ensure fund balance are accurately presented.

Also to help improve internal controls over financial reporting, the Trustees should periodically review the financial statements and accounting ledgers to help identify errors and/or irregularities. Prior to submission to the Auditor of State, the annual financial statements should be reviewed for accuracy.

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY
DECEMBER 31, 2013 AND 2012
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-002

Material Weakness

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:

- Property Tax revenues,
- Intergovernmental revenues,
- Proceeds of Notes revenues
- Capital Outlay disbursements
- Charges for Services revenues
- Public Safety disbursements
- Principal Retirement disbursements
- Interest and Fiscal Charges disbursements
- Cash fund balance

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, the Fiscal Officer should 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 2013-003

Material Noncompliance

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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. This section also provides two exceptions to the above requirement:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time or the certificate, appropriated and free of any previous encumbrances, the (entity) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the (legislative authority) upon completion of a then and now certificate.

Several transactions tested were not certified prior to the purchase commitment. There was no indication that "then and now" certificates were used.

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY
DECEMBER 31, 2013 AND 2012
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-003 (continued)

The Township should issue a valid purchase order with the signature of the fiscal officer prior to making any purchase commitment. In those events when commitments are made prior to obtaining the fiscal officer's certificate, the Township should employ the allowable provision of law under this section, Ohio Revised Code Section 5705.41(D), and secure a "then and now" certificate.

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

FINDING NUMBER 2013-004

Material Noncompliance

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

The Township had expenditures in excess of appropriations in the Road and Bridge fund in the amount of \$88,302 in 2012.

The Township should take due care to ensure close budgetary monitoring, and amend appropriations when necessary to ensure that all expenditures are properly appropriated.

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

FINDING NUMBER 2013-005

Material Weakness

A sound control environment is the responsibility of the management of the Township, and this includes, but is not limited to, maintaining supporting documentation for all expenditures incurred with Township funds.

The Township was unable to provide supporting documentation for 10% and 5% of non-payroll transactions tested for 2013 and 2012, respectively. The Township was also unable to provide timesheets for hourly emergency medical services (EMS) and road maintenance employees paid during 2012.

There is no basis to determine whether these disbursements were for a proper public purpose and whether these disbursements were for the proper amounts. This is a significant weakness which must be addressed immediately.

The Township should implement a filing system as well as policies and procedures to ensure that records are properly retained.

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY
DECEMBER 31, 2013 AND 2012
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-006

Material Noncompliance

Ohio Revised Code Section 5705.10 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 a negative fund balance in the Fire and Emergency fund in the amount of \$27,127 in 2012.

The Township should implement monitoring procedures to ensure compliance with 5705.10, as well as the other budgetary compliance issues. Budgeting, when properly used, proves one of the most important controls a government has. It is impossible to incur a cash deficit if a government complies with the budgetary laws.

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

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY
DECEMBER 31, 2013 AND 2012**

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:
2011-001	Financial Reporting	No	Reissued as finding 2013-001



Dave Yost • Auditor of State

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
DECEMBER 2, 2014**