



Dave Yost • Auditor of State

**HOPEWELL TOWNSHIP
PERRY COUNTY
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	3
Notes to the Financial Statements - December 31, 2017.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	11
Notes to the Financial Statements - December 31, 2016.....	13
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings (Prepared by Management)	25

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hopewell Township
Perry County
11002 Township Road 68 NW
Glenford, Ohio 43739

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 Hopewell Township, Perry 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis 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 Hopewell Township, Perry County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 November 15, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2018

Hopewell Township
Perry County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$60,755	\$249,436	\$0	\$310,191
Charges for Services	0	94,809	0	94,809
Licenses, Permits and Fees	106,904	0	0	106,904
Intergovernmental	15,947	121,504	0	137,451
Earnings on Investments	102	0	6	108
Miscellaneous	0	25,976	0	25,976
<i>Total Cash Receipts</i>	<u>183,708</u>	<u>491,725</u>	<u>6</u>	<u>675,439</u>
Cash Disbursements				
Current:				
General Government	90,354	3,020	0	93,374
Public Safety	0	255,616	0	255,616
Public Works	26,271	174,028	0	200,299
Health	1,775	0	0	1,775
Capital Outlay	5,044	7,550	0	12,594
Debt Service:				
Principal Retirement	6,983	23,367	0	30,350
Interest and Fiscal Charges	275	3,788	0	4,063
<i>Total Cash Disbursements</i>	<u>130,702</u>	<u>467,369</u>	<u>0</u>	<u>598,071</u>
<i>Excess of Receipts Over Disbursements</i>	<u>53,006</u>	<u>24,356</u>	<u>6</u>	<u>77,368</u>
Other Financing Receipts (Disbursements)				
Advances In	0	10,200	0	10,200
Advances Out	(10,200)	0	0	(10,200)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,200)</u>	<u>10,200</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	42,806	34,556	6	77,368
<i>Fund Cash Balances, January 1</i>	<u>137,233</u>	<u>186,154</u>	<u>1,220</u>	<u>324,607</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	1,226	1,226
Restricted	0	220,710	0	220,710
Assigned	180,039	0	0	180,039
<i>Fund Cash Balances, December 31</i>	<u>\$180,039</u>	<u>\$220,710</u>	<u>\$1,226</u>	<u>\$401,975</u>

See accompanying notes to the basic financial statements.

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**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

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 Hopewell Township, Perry 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 participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Ohio Township Risk Management Authority (OTARMA)

The Township belongs to OTARMA, a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Fire Levy Fund – This fund receives property tax money for the purpose of providing and maintaining fire apparatus and emergency ambulance and medical services.

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Permanent Fund

This fund accounts 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 Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant Permanent Fund:

Permanent 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.

D. 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. Unencumbered appropriations lapse at year end.

2. 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.

3. 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.

A summary of 2017 budgetary activity appears in Note 3.

E. 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.

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	2017
Demand deposits	\$375,143
Certificates of deposit	26,832
Total deposits and investments	\$401,975

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

2. EQUITY IN POOLED DEPOSITS (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation. At December 31, 2017, \$39,457 of deposits in excess of FDIC coverage were not considered to be insured or collateralized as the Township could not provide evidence that the requirements of Ohio Rev. Code § 135.18 had been met.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,725	\$183,708	\$37,983
Special Revenue	438,800	501,925	63,125
Permanent	14	6	(8)
Total	\$584,539	\$685,639	\$101,100

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$265,904	\$143,703	\$122,201
Special Revenue	622,953	492,379	130,574
Permanent	230	0	230
Total	\$889,087	\$636,082	\$253,005

4. PROPERTY TAX

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township. On October 31, 2018, the County Auditor paid \$117,536 to the Township for a 2016 real estate settlement which had not been previously distributed.

5. DEBT

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Promissory Note - Truck	\$5,376	3%
Promissory Note - Ambulance	77,156	3.17%
Total	\$82,532	

In 2013, the Township entered into a promissory note to finance the purchase of a new truck used for Township road maintenance. The Township entered into a promissory note in 2015 for the purchase of an ambulance for use in providing emergency services to Township residents. The notes are collateralized by the truck and ambulance and the Township's taxing authority.

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

5. DEBT (Continued)

The installment loans and promissory notes entered into by the Township are not legal methods of debt for a Township under Ohio Rev. Code § 133.

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

Year ending December 31:	Truck	Ambulance
2018	\$5,443	\$27,155
2019		27,155
2020		27,155
Total	<u>\$5,443</u>	<u>\$81,465</u>

6. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, 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, 2017.

B. Social Security System

Several Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

7. 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.

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

7. RISK MANAGEMENT (Continued)

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

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 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 \$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.

2017 Contributions to OTARMA

\$19,323

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. INTERFUND BALANCES

Outstanding advances at December 31, 2017, consisted of \$10,200 from the General Fund to the Road and Bridge Fund to provide working capital for operations or projects.

9. POSTEMPLOYMENT BENEFITS

OPERS offers 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 1.0 percent during calendar year 2017.

Hopewell Township
Perry County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$37,904	\$148,354	\$0	\$186,258
Charges for Services	0	84,591	0	84,591
Licenses, Permits and Fees	83,393	0	0	83,393
Intergovernmental	15,073	110,424	0	125,497
Earnings on Investments	67	5	10	82
Miscellaneous	1,581	1,640	0	3,221
<i>Total Cash Receipts</i>	<u>138,018</u>	<u>345,014</u>	<u>10</u>	<u>483,042</u>
Cash Disbursements				
Current:				
General Government	84,419	2,722	0	87,141
Public Safety	0	161,598	0	161,598
Public Works	46,445	221,754	0	268,199
Health	1,700	0	0	1,700
Capital Outlay	12,944	0	0	12,944
Debt Service:				
Principal Retirement	6,775	55,047	0	61,822
Interest and Fiscal Charges	483	5,262	0	5,745
<i>Total Cash Disbursements</i>	<u>152,766</u>	<u>446,383</u>	<u>0</u>	<u>599,149</u>
<i>Net Change in Fund Cash Balances</i>	(14,748)	(101,369)	10	(116,107)
<i>Fund Cash Balances, January 1</i>	<u>151,981</u>	<u>287,523</u>	<u>1,210</u>	<u>440,714</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	1,220	1,220
Restricted	0	186,154	0	186,154
Assigned	115,544	0	0	115,544
Unassigned	21,689	0	0	21,689
<i>Fund Cash Balances, December 31</i>	<u>\$137,233</u>	<u>\$186,154</u>	<u>\$1,220</u>	<u>\$324,607</u>

See accompanying notes to the basic financial statements.

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**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

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 Hopewell Township, Perry 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 participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Ohio Township Risk Management Authority (OTARMA)

The Township belongs to OTARMA, a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Fire Levy Fund – This fund receives property tax money for the purpose of providing and maintaining fire apparatus and emergency ambulance and medical services.

Gasoline Tax Fund – This fund receives the portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Permanent Fund

This fund accounts 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 Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant Permanent Fund:

Permanent 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.

D. 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. Unencumbered appropriations lapse at year end.

2. 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.

3. 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.

A summary of 2016 budgetary activity appears in Note 3.

E. 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.

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	2016
Demand deposits	\$297,775
Certificates of deposit	26,832
Total deposits and investments	\$324,607

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation. At December 31, 2017, \$15,044 of deposits in excess of FDIC coverage were not considered to be insured or collateralized as the Township could not provide evidence that the requirements of Ohio Rev. Code § 135.18 had been met.

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,055	\$138,018	\$17,963
Special Revenue	430,656	345,014	(85,642)
Permanent	14	10	(4)
Total	\$550,725	\$483,042	(\$67,683)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$272,019	\$157,401	\$114,618
Special Revenue	691,659	468,438	223,221
Permanent	210	0	210
Total	\$963,888	\$625,839	\$338,049

Contrary to Ohio Rev. Code § 5705.10(A), the Township did not receive or subsequently record the 2016 second half real estate property tax settlement.

4. PROPERTY TAX

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township. During 2016, the Township failed to receive the second half gross property tax settlement from the County totaling \$23,098, \$22,371, and \$75,743 in the General Fund, Road and Bridge Fund, and the Fire Special Levy Fund, respectively. On October 31, 2018, the County Auditor paid the net total of \$117,536 to the Township for this settlement.

5. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Promissory Note - Truck	\$12,359	3%
Promissory Note - Ambulance	100,523	3.17%
Total	\$112,882	

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

5. DEBT (Continued)

In 2013, the Township entered into a promissory note to finance the purchase of a new truck used for Township road maintenance. The Township entered into a promissory note in 2015 for the purchase of an ambulance for use in providing emergency services to Township residents. The notes are collateralized by the truck and ambulance and the Township's taxing authority. The installment loans and promissory notes entered into by the Township are not legal methods of debt for a Township under Ohio Rev. Code § 133.

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

Year ending December 31:	Truck	Ambulance
2017	\$7,258	\$27,155
2018	5,443	27,155
2019		27,155
2020		27,155
Total	<u>\$12,701</u>	<u>\$108,620</u>

6. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, 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, 2016.

B. Social Security System

Several Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

7. 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.

**Hopewell Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

7. RISK MANAGEMENT (Continued)

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 \$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.

2016 Contributions to OTARMA
\$18,653

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. POSTEMPLOYMENT BENEFITS

OPERS offers 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.



Dave Yost • Auditor of State

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

Hopewell Township
Perry County
11002 Township Road 68 NW
Glenford, Ohio 43739

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 Hopewell Township, Perry County, Ohio (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 November 15, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2017-001 through 2017-004 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 2017-001, 2017-003 and 2017-004.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2018

**HOPEWELL TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance and Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03. The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Furthermore, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Auditor of State Bulletin 2011-004 requires local governments which prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

Our audit identified the following adjustments:

- We noted the Township improperly reported subsequent year appropriations in excess of estimated receipts in the General Fund as Unassigned fund balance instead of reporting the excess as Assigned fund balance, in the amounts of \$180,039 and \$115,544 for the years ending December 31, 2017 and 2016, respectively.
- Errors in the Township's cash reconciliation were noted resulting in adjustments of \$883 and \$396 being required to the General and Gasoline Tax Funds, respectively.
- The Township incorrectly recorded \$1 and \$4 in interest earnings to the General Fund rather than the Permanent Fund for the years ending December 31, 2017 and 2016, respectively.

Audit adjustments, with which management has agreed, have been reflected in the accompanying financial statements to correct these misstatements.

**HOPEWELL TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-001 (Continued)

Noncompliance and Material Weakness (Continued)

In addition, the following immaterial unadjusted differences were noted:

- The Township improperly reported the Road and Bridge Fund balances, which received its property tax revenue from inside the 10 mill limitation, as Restricted rather than as Committed, in the amounts of \$19,839 and \$7,812 for the years ended December 31, 2017 and 2016, respectively.
- In 2017, Homestead and Rollback receipts, in the amounts of \$6,946, \$6,679, and \$15,755, were improperly recorded as Property Taxes rather than Intergovernmental receipts, in the General, Road and Bridge, and Fire Special Levy Funds, respectively.
- In 2016, Homestead and Rollback receipts, in the amounts of \$6,951, \$6,676, and \$15,826, were improperly recorded as Property Taxes rather than Intergovernmental receipts, in the General, Road and Bridge, and Fire Special Levy Funds, respectively.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds and accounts. The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's receipts and disbursements.

FINDING NUMBER 2017-002

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger. The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Official Certificate of Estimated Resources was not posted correctly to the accounting system for the Road and Bridge Fund in 2017. The amount reported on the Township's accounting system was \$56,735 and the amount on the Official Certificate of Estimated Resources was \$58,735. The approved Amended Official Certificate of Estimated Resources was not posted correctly to the accounting system for the Fire Special Levy Fund in 2016. The amount reported on the Township's accounting system was \$250,015 and the amount on the Amended Official Certificate of Estimated Resources was \$276,535.

**HOPEWELL TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

FINDING NUMBER 2017-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(A) provides that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the General Fund.

Ohio Rev. Code § 5705.10(D) provides that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

We noted the Township did not receive the 2016 second half real estate property tax settlement from the County. This resulted in gross tax receipts, totaling \$23,098, \$22,371, and \$75,743 in the General, Road and Bridge Fund, and the Fire Special Levy Fund, respectively, to not be received and recorded by the Township during 2016. On October 31, 2018, the Perry County Auditor's Office issued a warrant to the Township, totaling \$117,536, for the net total of the Township's 2016 second half real estate property tax settlement which had not been previously distributed.

Failure to monitor the receipt of property tax settlements could negatively impact the Township's funding and ability to pay obligations. In addition, the failure to monitor that receipts are received and recorded in a timely manner could result in errors or irregularities occurring and remaining undetected.

The Township should develop a process to monitor that all receipts owed to them are received and recorded. The Township management should monitor budget versus actual receipts periodically throughout the year to determine if anticipated receipts have been received and recorded and should promptly investigate unexpected variances. When property tax receipts are received they should be allocated to the appropriate funds as indicated on the Statement of Semiannual Apportionment of Taxes received from the County.

**HOPEWELL TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-004

Noncompliance and Material Weakness

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

- Ohio Rev. Code § 133.22, a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.
- Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.
- Under Ohio Rev. Code § 133.15, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.
- Under Ohio Rev. Code § 133.18, the taxing authority of a subdivision may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2017 and 2016, the Township made principal payments on outstanding promissory notes and installment loans in the amounts of \$30,350 and \$30,142, respectively. The promissory notes were used by the Township to finance a truck for road maintenance and ambulance for emergency services.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

Officials' Response: We did not receive a response from Officials to the Findings reported above.

**Hopewell Township
11002 Township Road 68 NW
Glenford, Ohio 43739**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

1

December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance – In 2015, the Township signed a promissory note with a local bank which does not meet the criteria for any of the debt allowed in Ohio Rev. Code Chapter 133.	Not Corrected	The township will no longer issue unallowable types of debt. This note will be paid off in 2020. The 2014 GMC Sierra K3500 debt was paid in full in 2018.
2015-002	Noncompliance & Material Weakness – The Township failed to file permanent appropriations for 2015 and 2014 with the County Auditor as required by Ohio Rev. Code § 5705.38	Corrected	
2015-003	Noncompliance & Material Weakness – Various adjustments and reclassifications were necessary to the financial statements.	Not Corrected	The township will post things more accurately and seek additional training in this area.

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HOPEWELL TOWNSHIP

PERRY 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
NOVEMBER 29, 2018