



Dave Yost • Auditor of State

**PEASE TOWNSHIP
BELMONT COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Pease Township
Belmont County
P.O. Box 176
69813 Forest Drive
Martins Ferry, Ohio 43935

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 Pease Township, Belmont 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 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 Pease Township, Belmont 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 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

March 26, 2018

Pease Township
Belmont 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$15,349	\$373,734	\$389,083
Licenses, Permits and Fees	41,650	0	41,650
Intergovernmental	48,420	166,707	215,127
Miscellaneous	3,716	500	4,216
<i>Total Cash Receipts</i>	<u>109,135</u>	<u>540,941</u>	<u>650,076</u>
Cash Disbursements			
Current:			
General Government	71,421	63,841	135,262
Public Safety	14,455	15,498	29,953
Public Works	800	397,933	398,733
Debt Service:			
Principal Retirement	0	4,400	4,400
Interest and Fiscal Charges	0	1,456	1,456
<i>Total Cash Disbursements</i>	<u>86,676</u>	<u>483,128</u>	<u>569,804</u>
<i>Excess of Cash Receipts Over Disbursements</i>	<u>22,459</u>	<u>57,813</u>	<u>80,272</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	24,314	24,314
Transfers Out	(24,314)	0	(24,314)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(24,314)</u>	<u>24,314</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(1,855)	82,127	80,272
<i>Fund Cash Balances, January 1</i>	<u>150,753</u>	<u>64,528</u>	<u>215,281</u>
Fund Cash Balances, December 31			
Restricted	0	98,059	98,059
Committed	0	48,596	48,596
Unassigned (Deficit)	148,898	0	148,898
<i>Fund Cash Balances, December 31</i>	<u>\$148,898</u>	<u>\$146,655</u>	<u>\$295,553</u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Pease Township, Belmont 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, fire protection and emergency medical services. The Township contracts with the Brookside Volunteer Fire Department, Sunset Heights Volunteer Fire Department, Bridgeport Volunteer Fire Department and Wolfhurst Fire Department to provide fire protection services.

The Township participates in OTARMA (Ohio Township Association Risk Management Authority), a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Basis of Accounting

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into three 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:

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

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

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,915	\$109,135	\$1,220
Special Revenue	564,520	565,255	735
Total	\$672,435	\$674,390	\$1,955

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,202	\$110,990	\$30,212
Special Revenue	532,868	483,128	49,740
Total	\$674,070	\$594,118	\$79,952

Note 4 – Deposits

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

	2017
Demand deposits	\$295,553

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 5 – Property Taxes

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

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

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

Note 5 – Property Taxes (Continued)

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

Note 6 – Risk Management

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

	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 \$5,000.

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

Note 6 – Risk Management (Continued)

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

<u>Contributions to OTARMA</u>	
<u>2017</u>	<u>2016</u>
\$11,650	\$11,691

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Debt

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

General Obligation Bonds	Principal	Interest Rate
	\$40,400	3.25%

The Township issued general obligation bonds through the U.S. Department of Agriculture (USDA) to finance the purchase of a new dump truck and related equipment, including a snow plow and salt spreader, for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

Note 8 – Debt (Continued)

Amortization

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

Year Ending December 31:	General Obligation Bonds
2018	\$5,813
2019	5,767
2020	5,817
2021	5,861
2022	5,799
2023-2025	17,476
Total	<u>\$46,533</u>

Note 9 – Contingent Liabilities

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

Note 10 – Subsequent Events

In January 2018, the Township approved to place a levy on the ballot declaring the necessity of the replacement of two current levies of a tax and combining the two current levies of 3.0 and 1.5 mills constituting a total of 4.5 mills for the benefit of Pease Township Fire District No. 2 set forth in ORC 5705.19(I). This is to purchase ambulance equipment or to provide ambulance or emergency medical services operated by fire department or fire-fighting company.

In February 2018, the Township signed a Roadway Use and Maintenance Agreement with energy company Strike Force East LLC for a road maintenance cash bond in the amount of \$752,000. This cash bond is to be held in a custodial capacity until satisfaction of performance of road maintenance performed by the energy company.

Pease Township
Belmont 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$13,968	\$273,444	\$0	\$287,412
Licenses, Permits and Fees	40,611	0	0	40,611
Intergovernmental	48,000	172,325	135,800	356,125
Miscellaneous	1,139	0	0	1,139
<i>Total Cash Receipts</i>	<u>103,718</u>	<u>445,769</u>	<u>135,800</u>	<u>685,287</u>
Cash Disbursements				
Current:				
General Government	67,966	54,042	0	122,008
Public Safety	16,200	24,776	0	40,976
Public Works	0	599,888	0	599,888
Capital Outlay	0	0	135,800	135,800
Debt Service:				
Principal Retirement	0	4,200	0	4,200
Interest and Fiscal Charges	0	1,466	0	1,466
<i>Total Cash Disbursements</i>	<u>84,166</u>	<u>684,372</u>	<u>135,800</u>	<u>904,338</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>19,552</u>	<u>(238,603)</u>	<u>0</u>	<u>(219,051)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	140,000	0	140,000
Transfers Out	(140,000)	0	0	(140,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(140,000)</u>	<u>140,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(120,448)	(98,603)	0	(219,051)
<i>Fund Cash Balances, January 1</i>	<u>271,201</u>	<u>163,131</u>	<u>0</u>	<u>434,332</u>
Fund Cash Balances, December 31				
Restricted	0	47,327	0	47,327
Committed	0	17,201	0	17,201
Unassigned (Deficit)	150,753	0	0	150,753
<i>Fund Cash Balances, December 31</i>	<u>\$150,753</u>	<u>\$64,528</u>	<u>\$0</u>	<u>\$215,281</u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Pease Township, Belmont 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, fire protection and emergency medical services. The Township contracts with the Brookside Volunteer Fire Department, Sunset Heights Volunteer Fire Department, Bridgeport Volunteer Fire Department and Wolfhurst Fire Department to provide fire protection services.

The Township participates in OTARMA (Ohio Township Association Risk Management Authority), a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital projects fund:

Public Works Projects Fund – The Township received an Ohio Public Works Grant for the purpose of repairing a major road slip.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into three 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:

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,686	\$103,718	\$41,032
Special Revenue	636,173	585,769	(50,404)
Capital Projects	135,800	135,800	0
Total	\$834,659	\$825,287	(\$9,372)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$253,791	\$224,166	\$29,625
Special Revenue	766,562	684,372	82,190
Capital Projects	135,800	135,800	0
Total	\$1,156,153	\$1,044,338	\$111,815

Note 4 – Deposits

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

	2016
Demand deposits	\$215,281

Deposits

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

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

Note 5 – Property Taxes (Continued)

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 6 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 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

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

Note 6 – Risk Management (Continued)

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 \$5,000.

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.

<p><u>2016 Contributions</u> <u>to OTARMA</u></p> <p style="text-align: center;">\$11,691</p>
--

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

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 7 – Debt

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

General Obligation Bonds	Principal	Interest Rate
	\$44,800	3.25%

The Township issued general obligation bonds through the U.S. Department of Agriculture (USDA) to finance the purchase of a new dump truck and related equipment, including a snow plow and salt spreader, for Township road maintenance. The Township’s taxing authority collateralized the bonds.

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

Note 7 – Debt (Continued)

Amortization

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

Year Ending December 31:	General Obligation Bonds
2017	\$5,856
2018	5,813
2019	5,767
2020	5,817
2021	5,861
2022-2025	23,275
Total	<u>\$52,389</u>

Note 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.



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

Pease Township
Belmont County
P.O. Box 176
69813 Forest Drive
Martins Ferry, Ohio 43935

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Pease Township, Belmont 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 March 26, 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 and 2017-002 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Findings

The Township's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018

PEASE TOWNSHIP
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2017-001

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.

The Ohio Township Handbook (revised March 2018) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example). Using these classifications and the aforementioned accounting records 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.

The Fiscal Officer did not correctly post all receipts, which resulted in an adjustment. The Fiscal Officer has agreed to the following adjustment and is reflected in the accompanying financial statements:

During 2017, Permissive Motor Vehicle License Tax receipts were posted as Property Taxes within the Permissive Motor Vehicle License Tax Fund instead of Intergovernmental receipts in the amount of \$25,673.

The Township did not properly classify its December 31, 2017 and 2016 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

We noted the following for the year ended December 31, 2017:

- The Township classified the fund balance of the Motor Vehicle License Tax, Gasoline Tax, and Permissive Motor Vehicle License Funds in the amounts of \$4,896, \$7,962, and \$8,397, respectively, as committed rather than restricted fund balance as appropriate.
- The Township classified a portion of the fund balance of the Road & Bridge Fund as committed rather than restricted in the amount of \$72,893 for the outside millage.

We noted the following for the year ended December 31, 2016:

- The Township classified the fund balance of the Motor Vehicle License Tax, Gasoline Tax, and Permissive Motor Vehicle License Funds in the amounts of \$6,221, \$6,972, and \$7,724, respectively, as committed rather than restricted fund balance as appropriate.
- The Township classified a portion of the fund balance of the Road & Bridge Fund as committed rather than restricted in the amount of \$25,802 for the outside millage.

The adjustments noted above, with which management agrees, are reflected in the accompanying financial statements.

The Fiscal Officer should utilize available authoritative resources to appropriately classify receipt transactions. Also when classifying fund balance in accordance with GASB 54 the Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for guidance.

Officials' Response: Current Fiscal Officer took office in April 2017, will work on correcting issues going forward.

**PEASE TOWNSHIP
BELMONT 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)**

FINDING NUMBER 2017-002

Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

The Fiscal Officer did not properly post budgetary amendments to the accounting system. Variances existed between the final amended certificates to the amounts posted to the accounting system.

The following table reflects the 2017 variance:

<u>Fund</u>	<u>Amount Per Amended Certificate</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
General	\$107,915	\$108,433	(\$518)

The following table reflects the 2016 variance:

<u>Fund</u>	<u>Amount Per Amended Certificate</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
General	\$62,686	\$96,766	(\$34,080)

Adjustments, with which management agrees, were made to Note 3 to the financial statements to accurately reflect estimated receipts.

The Fiscal Officer should record estimated receipts per the Official Certificate of Estimated Resources, as well as all amendments.

Officials' Response: Current Fiscal Officer took office in April 2017, will work on correcting issues going forward.



P.O. Box 176
69813 Forest Drive
Martins Ferry, Ohio 43935
(740)633-5665

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Receipt and Disbursement Classifications	Not Corrected	Working on correcting in 2018.
2015-002	Significant Deficiency – Budgetary Integration	Not Corrected	Working on correcting in 2018.

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PEASE TOWNSHIP

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 12, 2018