

**HOMER TOWNSHIP
MORGAN COUNTY**

AUDIT REPORT

JANUARY 1, 2016 - DECEMBER 31, 2017



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Columbus, Ohio 43215
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(800) 282-0370

Township Trustees
Homer Township
8333 Bishopville Road
Glouster, Ohio 45732

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

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2019

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**HOMER TOWNSHIP
MORGAN COUNTY
JANUARY 1, 2016 - DECEMBER 31, 2017**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2017	3
2017 Notes to the Financial Statements	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2016	10
2016 Notes to the Financial Statements	11
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	18
Schedule of Audit Findings	20
Schedule of Prior Audit Findings	28

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Homer Township
Morgan County
8333 Bishopville Road
Glouster, Ohio 45732

To the Township 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 Homer Township, Morgan County, as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility For the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted 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 Homer Township, Morgan County as of December 31, 2017 and 2016, or 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 combined cash balances of Homer Township, Morgan County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2018, on our consideration of Homer 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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 29, 2018

**HOMER TOWNSHIP
MORGAN COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 66,183	\$ 41,988	\$ -	\$ -	\$ 108,171
Intergovernmental	20,195	108,850	-	-	129,045
Earnings on Investments	123	41	-	3	167
Miscellaneous	735	1,170	-	-	1,905
Total Cash Receipts	<u>87,236</u>	<u>152,049</u>	<u>-</u>	<u>3</u>	<u>239,288</u>
Cash Disbursements:					
Current:					
General Government	37,615	1,692	-	-	39,307
Public Safety	-	10,500	-	-	10,500
Public Works	25,186	116,022	-	-	141,208
Capital Outlay	5,780	-	-	-	5,780
Debt Service:					
Principal Retirement	4,162	-	-	-	4,162
Interest and Fiscal Charges	54	-	-	-	54
Total Cash Disbursements	<u>72,797</u>	<u>128,214</u>	<u>-</u>	<u>-</u>	<u>201,011</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	14,439	23,835	-	3	38,277
Other Cash Financing Receipts					
Sale of Capital Assets	600	-	-	-	600
Other Financing Sources	913	-	-	-	913
Total Other Cash Financing Receipts	<u>1,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,513</u>
Net Change in Fund Cash Balance	15,952	23,835	-	3	39,790
Fund Cash Balances, January 1	<u>62,871</u>	<u>42,634</u>	<u>41</u>	<u>3,336</u>	<u>108,882</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,000	3,000
Restricted	-	55,487	41	339	55,867
Committed	-	10,982	-	-	10,982
Assigned	4,313	-	-	-	4,313
Unassigned (Deficit)	74,510	-	-	-	74,510
Fund Cash Balances, December 31	<u>\$ 78,823</u>	<u>\$ 66,469</u>	<u>\$ 41</u>	<u>\$ 3,339</u>	<u>\$ 148,672</u>

See notes to financial statements.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Homer Township, Morgan County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Village of Chesterhill, Village of Corning, Village of Jackson, M & M Volunteer Fire Department and the Ames-Bern Amesville Volunteer Fighters, Inc. to provide fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

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

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Tractor/Mower Note Retirement Fund – This fund was established to account for note retirement that were used to purchase a tractor/Mower

Permanent Funds

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

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

C. 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 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

D. 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 and object level of control and appropriations may not exceed estimated resources. The 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 canceled, and re-appropriated in the subsequent year.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2017 budgetary activity appears in Note 3.

E. Deposits and Investments

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

F. 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.

G. 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.

H. Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2017 is as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 67,369	\$ 88,749	\$ 21,380
Special Revenue	137,005	152,049	15,044
Permanent	169	3	(166)
Total	\$ 204,543	\$ 240,801	\$ 36,258

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,925	\$ 77,110	\$ (73,185)
Special Revenue	11,114	128,214	(117,100)
Permanent	-	-	-
Total	\$ 15,039	\$ 205,324	\$ (190,285)

Contrary to ORC 5705.41 (B), the Township had funds that had expenditures greater than appropriations.

Contrary to ORC 5705.41 (D), the Township had made expenditures prior to certification.

Contrary to ORC 5705.38, the Township did not file appropriations with the County Auditor.

4. EQUITY IN POOLED CASH

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	\$ 145,672
Certificate of Deposit	3,000
Total	\$ 148,672

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

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

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

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.) functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

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

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>(8,675,465)</u>
Retained Earnings	<u>\$31,335,267</u>

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 members 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 \$1,697.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. RISK MANAGEMENT (Continued)

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

Contributions to OTARMA

2017	\$3,856
2016	3,849
2015	3,843

After completing 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.

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2017.

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

There was no debt outstanding as of December 31, 2017.

10. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

HOMER TOWNSHIP
MORGAN COUNTY

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent Fund	
Cash Receipts:					
Property and Other Local Taxes	\$ 62,345	\$ 38,391	\$ -	\$ -	\$ 100,736
Intergovernmental	24,524	104,840	-	-	129,364
Earnings on Investments	61	29	-	3	93
Miscellaneous	10,182	-	-	-	10,182
Total Cash Receipts	<u>97,112</u>	<u>143,260</u>	<u>-</u>	<u>3</u>	<u>240,375</u>
Cash Disbursements:					
Current:					
General Government	46,074	623	-	-	46,697
Public Safety	-	11,325	-	-	11,325
Public Works	-	138,581	-	-	138,581
Health	-	-	-	24	24
Debt Service:					
Principal Retirement	6,624	1,336	-	-	7,960
Interest and Fiscal Charges	347	28	-	-	375
Total Cash Disbursements	<u>53,045</u>	<u>151,893</u>	<u>-</u>	<u>24</u>	<u>204,962</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	44,067	(8,633)	-	(21)	35,413
Other Cash Financing Receipts					
Other Financing Sources	645	-	-	-	645
Total Other Cash Financing Receipts	<u>645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645</u>
Net Change in Fund Cash Balance	44,712	(8,633)	-	(21)	36,058
Fund Cash Balances, January 1, restated	<u>18,159</u>	<u>51,267</u>	<u>41</u>	<u>3,357</u>	<u>72,824</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,000	3,000
Restricted	-	37,484	41	336	37,861
Committed	-	5,150	-	-	5,150
Assigned	3,925	-	-	-	3,925
Unassigned (Deficit)	58,946	-	-	-	58,946
Fund Cash Balances, December 31	<u>\$ 62,871</u>	<u>\$ 42,634</u>	<u>\$ 41</u>	<u>\$ 3,336</u>	<u>\$ 108,882</u>

See notes to financial statements.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. REPORTING ENTITY

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**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Tractor/Mower Note Retirement Fund – This fund was established to account for note retirement that were used to purchase a tractor/Mower

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

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

D. 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 and object level of control and appropriations may not exceed estimated resources. The 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 canceled, and re-appropriated in the subsequent year.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2016 budgetary activity appears in Note 3.

E. Deposits and Investments

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

F. 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.

G. 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.

H. Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 69,037	\$ 97,757	\$ 28,720
Special Revenue	133,384	143,260	9,876
Permanent	169	3	(166)
Total	\$ 202,590	\$ 241,020	\$ 38,430

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 72,962	\$ 56,970	\$ 15,992
Special Revenue	144,498	151,893	(7,395)
Permanent	169	24	145
Total	\$ 217,629	\$ 208,887	\$ 8,742

Contrary to ORC 5705.41 (B), the Township had funds that had expenditures greater than appropriations.

Contrary to ORC 5705.38 (C), appropriations were only appropriated at the fund level and not the function and object level.

4. EQUITY IN POOLED CASH

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:

Demand Deposits	2016 \$ 105,882
Certificate of Deposit	3,000
Total	\$ 108,882

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

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

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

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 Workers' 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.) 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):

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>(8,244,140)</u>
Retained Earnings	<u>\$30,229,143</u>

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 \$1,732.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

6. RISK MANAGEMENT (Continued)

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

Contributions to OTARMA

2016	\$3,849
2015	3,843
2014	3,837

After completing 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.

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2016.

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

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

Promissory Note	<u>Principal</u>	<u>Interest Rate</u>
	\$ 4,162	4.00%

The Township entered into an agreement with the First National Bank to borrow \$23,526 for the purpose of repairing engines to trucks used for township road maintenance. The loan will be repaid in monthly installments of \$695 over 36 months. The Township's tax authority collateralized the note. This will be repaid from the General Fund and Gasoline Tax Fund. The loan balance as of 1/1/16 was restated to \$12,122 to accurately show principal outstanding.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

9. DEBT (CONTINUED)

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

Year Ending December 31:	Equipment Bonds
2017	4,216
Total	\$ 4,216

10. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

11. RESTATEMENT OF FUND BALANCE

Fund balances in the General and Special Revenue Funds have been restated for the year ended December 31, 2015 for prior audit adjustments made by the Township:

	General	Special Revenue
Fund Balance at December 31, 2015	\$ 22,900	\$ 28,072
Adjustments	(4,741)	23,195
Fund Balance at January 1, 2016	\$ 18,159	\$ 51,267

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Homer Township
Morgan County
8333 Bishopville Road
Glouster, Ohio 45732

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Homer Township, Morgan County 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 August 29, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Homer 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. We consider Findings 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-007 and 2017-008 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homer 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed five instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001, 2017-003, 2017-004, 2017-006 and 2017-008.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 29, 2018

**HOMER TOWNSHIP
MORGAN 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

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.10(D) requires 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.

During 2016, the Fiscal Officer incorrectly posted Rollback and Homestead monies to the General Fund in the amount of \$2,280 instead of the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$1,629 and the Fire Levy Fund, Special Revenue Fund type, in the amount of \$651. Also during 2016, the Fiscal Officer did not post Rollback and Homestead monies to the General Fund in the amount of \$1,623, to the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$1,623 and the Fire Levy Fund, Special Revenue Fund type, in the amount of \$649. Also during 2016, the Fiscal Officer posted reimbursements for salary overpayment for the fiscal officer to the Gasoline Tax Fund instead of the General Fund in the amount of \$6,992. These receipts needed to be allocated where they originally were paid from.

During 2017, the Fiscal Officer did not post Rollback and Homestead monies to the General Fund in the amount of \$3,403, to the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$3,403 and the Fire Levy Fund, Special Revenue Fund type, in the amount of \$1,358. Also during 2017, the Fiscal Officer posted OPERS reimbursements for retirement contributions overpayment to the Gasoline Tax Fund instead of the General Fund in the amount of \$235. This receipt needed to be allocated where it was originally paid from.

Therefore, in 2017 and 2016, the Fiscal Officer did not post rollback homestead monies to the General Fund, in the amount of \$5,026, the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$5,026 and Fire Levy Fund, Special Revenue Fund type, in the amount of \$2,007. Also in 2016, the Fiscal Officer incorrectly posted Rollback and Homestead monies to the General Fund in the amount of \$2,280 instead of the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$1,629 and the Fire Levy Fund, Special Revenue Fund type, in the amount of \$651. Also in 2017 and 2016 the Fiscal did not post reimbursement monies to the General Fund which was where they were originally paid from in the amount of \$7,227 instead of the Gasoline Tax Fund. The Fiscal Officer has made the adjustments to the financial records and financial statements.

Clients Response: We have not received a response from the client.

Finding Number 2017-002

Material Weakness

The Fiscal Officer prepared monthly bank reconciliations during the audit period. However, these reconciliations were not accurate. The monthly bank reconciliations contained "other Adjusting Factors" throughout the entire audit period which were carried forward instead of being investigated and corrected. The lack of proper reconciliations resulted in numerous errors which remained undetected and/or uncorrected until the audit.

**HOMER TOWNSHIP
MORGAN 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 2017-002 (Continued)

The “Other Adjusting Factors” at 12/31/17 was \$17,792 and at 12/31/16 it was \$12,256. These differences were not investigated. Therefore, the Township declined to make adjustments to get their UAN systems cash balances to balance with the Bank Statement balance less outstanding checks. These adjustments have been made to the accounting records and financial statements.

We recommend the Township review, identify and adjust any “Other Adjusting Factors” to each monthly bank reconciliation, if they occur. This will keep the monthly bank reconciliations correctly prepared and will stop the carrying forward of any “Other Adjusting Factors”.

Client Response: We have not received a response from the client.

Finding Number 2017-003

Noncompliance/Material Weakness

Ohio Admin. Code Section 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 Section 117-2-03.

During 2016, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- Real estate tax settlement receipts were posted in net instead of at gross. As a result, receipts and expenditures were understated in the General Fund by \$6,240, understated in the Road & Bridge Fund by \$415, and understated in the Fire Levy Fund by \$208.
- Transfers-In were reclassified to Miscellaneous Receipts in the amount of \$3,190 within the General Fund.
- Human Services disbursements in the amount of \$4,841 were reclassified to Public Works within the Gasoline Tax Fund.
- Principal Retirement payments in the amount of \$46 were reclassified to Interest and Fiscal Charges within the General Fund to accurately show principal and interest paid.

During 2017, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- Real estate tax settlement receipts were posted in net instead of at gross. As a result, receipts and expenditures were understated in the General Fund by \$12,691, understated in the Road & Bridge Fund by \$1,127, and understated in the Fire Levy Fund by \$565.
- General Government disbursements in the amount of \$8,518 were reclassified to Public Works within the General Fund.
- Public Works disbursements in the amount of \$5,780 were reclassified to Capital Outlay within the General Fund.
- Human Services disbursements in the amount of \$4,221 were reclassified to Public Works within the Gasoline Tax Fund.

**HOMER TOWNSHIP
MORGAN 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 2017-003 (Continued)

These reclassification errors were due to lack of management oversight. These significant reclassifications have been made to the financial statements. We recommend the Township refer to the Ohio Township Handbook for proper classification and take additional care when posting Township transactions.

Client Response: We have not received a response from the client.

Finding Number 2017-004

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.38(A) states on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measure as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

Ohio Revised Code Section 5705.38 (C) states, in part, appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services.

Ohio Revised Code Section 5705.40, states, any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.

The Township did not approve an appropriation measure for 2017, and the measure passed in 2016 was at the fund level not the fund, function and object level as required.

We recommend that the Fiscal Officer refer to Appendix II of the Township handbook in regards to the guidelines established for preparing budgets for a township.

Client Response: We have not received a response from the client.

Finding Number 2017-005

Material Weakness

All local public offices should integrate the budgetary accounts at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**HOMER TOWNSHIP
MORGAN 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 2017-005 (Continued)

At December 31, 2017, appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the following funds:

	Appropriations Per	Appropriations	
	Township Accounting	Per Board of	
Fund	System	Trustees	Variance
General	\$ 125,925	\$ -	\$ 125,925
MVL License Tax	14,925	-	14,925
Gasoline Tax	96,600	-	96,600
Road & Bridge	30,250	-	30,250
Fire Special Levy	18,200	-	18,200

At December 31, 2017, estimated receipts in the Township's ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

	Estimated Receipts	Estimated Receipts	
	Approved by the	Per Township's	
Fund	Budget Commission	Accounting System	Variance
General	\$ 67,369	\$ 76,824	\$ (9,455)
MVL License Tax	10,823	11,984	(1,161)
Gasoline Tax	81,996	89,250	(7,254)
Road & Bridge	28,880	25,242	3,638
Fire Special Levy	15,306	12,706	2,600

At December 31, 2016, appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the following funds:

	Appropriations Per	Appropriations	
	Township Accounting	Per Board of	
Fund	System	Trustees	Variance
General	\$ 99,425	\$ 69,037	\$ 30,388
MVL License Tax	15,000	10,284	4,716
Gasoline Tax	103,500	80,453	23,047
Road & Bridge	51,050	28,075	22,975
Fire Special Levy	19,400	14,572	4,828
Cemetery Bequest	100	169	(69)

**HOMER TOWNSHIP
MORGAN 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 2017-005 (Continued)

At December 31, 2016, estimated receipts in the Township’s ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

	Estimated Receipts	Estimated Receipts	
	Approved by the	Per Township’s	
Fund	Budget Commission	Accounting System	Variance
General	\$ 69,037	\$ 73,172	\$ (4,135)
MVL License Tax	10,284	12,249	(1,965)
Gasoline Tax	80,453	93,765	(13,312)
Road & Bridge	28,075	37,400	(9,325)
Fire Special Levy	14,572	15,925	(1,353)
Cemetery Bequest	169	3,525	(3,356)

This occurred because the Township did not pass their permanent appropriations in 2017.

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Trustees and estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Client Response: We have not received a response from the client.

Finding Number 2017-006

Noncompliance

Ohio Revised Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had the following funds which had expenditures greater than appropriation authority.

		Appropriation		
Fund	Year	Authority	Expenditures	Variance
General Fund	2017	\$ 3,925	\$ 77,110	\$ (73,185)
MVL License Tax	2017	-	14,925	(14,925)
Gasoline Tax	2017	10,308	95,622	(85,314)
Road & Bridge	2017	806	22,654	(21,848)
Fire Special Levy	2017	-	11,065	(11,065)
MVL License Tax	2016	10,284	13,517	(3,233)
Gasoline Tax	2016	90,761	102,156	(11,395)
Road & Bridge	2016	28,881	35,800	(6,919)

**HOMER TOWNSHIP
MORGAN 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 2017-006 (Continued)

We recommend the Trustees expenditures versus appropriation authority throughout the year. Also, the Trustees should not approve expenditures greater than appropriations. This can result in the Township spending more money than it appropriated and could cause possible negative fund balances.

Client Response: We have not received a response from the client.

Finding Number 2017-007

Material Weakness – Financial Reporting

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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2015) provides suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

The Township did not properly reflect its December 31, 2017 and 2016 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.

Financial statement errors identified for the year ended December 31, 2017 were as follows:

- Unassigned Fund Balance was overstated and the Assigned Fund Balance understated by \$4,313 for the General Fund.
- Restricted Fund Balance was overstated and the Committed Fund Balance understated by \$10,982 for the Road & Bridge Fund.
- Restricted Fund Balance was overstated and the Nonspendable Fund Balance understated by \$3,000 for the Cemetery Bequest Fund.

**HOMER TOWNSHIP
MORGAN 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 2017-007 (Continued)

Financial statement errors identified for the year ended December 31, 2016 were as follows:

- Unassigned Fund Balance was overstated and the Assigned Fund Balance understated by \$3,925 for the General Fund.
- Restricted Fund Balance was overstated and the Committed Fund Balance understated by \$5,150 for the Road & Bridge Fund.
- Restricted Fund Balance was overstated and the Nonspendable Fund Balance understated by \$3,000 for the Cemetery Bequest Fund.

Material adjustments, with which the Township official's agree, are reflected within the accompanying financial statements.

The Township should develop internal control procedures to ensure the financial statements of the Township accurately reflect the fund cash balance in accordance with GASB Statement No. 54 reporting requirements. The Township Fiscal Officer may refer to Auditor of State Bulletin 2011-004 for additional guidance.

Client Response: We have not received a response from the client.

FINDING NUMBER 2017-008

Noncompliance/Material Weakness – Payroll Taxes

The Township has not paid all of the required payroll withholding taxes due to the Internal Revenue Service or State of Ohio Department of Taxation during the current audit period. We noted there were also late payments to those entities as well.

26 U.S.C. § 3404 provides if the employer is in the United States, or a state, or political subdivision thereof, or the District of Columbia, or any agency instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose. The amount not remitted according to payroll records, was \$4,967.38.

Ohio Revised Code § 5747.06 (A) requires, in part, that every employer, including the state and its political subdivisions, shall deduct and withhold from compensation, state income tax paid to each employee for each pay period.

**HOMER TOWNSHIP
MORGAN 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 2017-008 (Continued)

Ohio Rev. Code § 5747.13 (A), states, in part, if any employer collects the tax imposed by § 5747.02 and fails to remit the tax as required by law, or fails to collect the tax, the employer is personally liable for any amount collected that the employer fails to remit, or any amount that the employer fails to collect. The amount not remitted according to payroll records as of December 31, 2017, was \$1,124.87

While the payroll records indicated Medicare, state and federal income taxes were withheld from the employees' and officials' gross pay, the amounts withheld, along with any employer matches were not remitted to the appropriate agencies as required. This can result in a significant tax liability, plus penalties and interest for the Township.

We recommend the Fiscal Officer remit state and federal income taxes withheld on a timely basis. The Fiscal Officer should contact the Internal Revenue Service and the State of Ohio Department of Taxation, immediately, in regards to payroll tax payments that have not been remitted. Also, this matter may be referred to the Internal Revenue Service and the State of Ohio Department of Taxation

The Township should review all applicable guidance for preparing, filing and payment of these taxes so that the Township meets all requirements and avoids potential significant liabilities.

Client Response: We have not received a response from the client.

**HOMER TOWNSHIP
MORGAN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	Finding for Adjustment Material Weakness Improperly posting Rollbacks/Homestead	No	Not Corrected: Cited in current report as finding 2017-001. Adjustments made in current audit period.
2015-002	Finding for Adjustment Material Weakness Bank Reconciliations	No	Not Corrected: Cited in current report as finding 2017-002. Adjustments made in current audit period.
2015-003	Noncompliance ORC 5705.41(D)	No	Partially corrected, reissued in Management Letter
2015-004	Noncompliance Material Weakness OAC 117-2-02 (A)	No	Not Corrected: Cited in current report as finding 2017-003
2015-005	Noncompliance Material Weakness Budgetary items	No	Not Corrected: Cited in current report as finding 2017-004
2015-006	Noncompliance ORC Chapter 133 Debt	Yes	Finding No Longer Valid
2015-007	Material Weakness Budgetary data in accounting system	No	Not Corrected: Cited in current report as finding 2017-005
2015-008	Noncompliance ORC 5705.41(B)	No	Not Corrected: Cited in current report as finding 2017-006

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OHIO AUDITOR OF STATE KEITH FABER



HOMER TOWNSHIP

MORGAN 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
SEPTEMBER 12, 2019**