

**HOMER TOWNSHIP
MORGAN COUNTY**

AUDIT REPORT

JANUARY 1, 2018 - DECEMBER 31, 2019

**Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Township Trustees
Homer Township
4949 South State Route 555
Chesterhill, Ohio 43728

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, 2018 through December 31, 2019. 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 19, 2020

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**HOMER TOWNSHIP
MORGAN COUNTY
JANUARY 1, 2018 - DECEMBER 31, 2019**

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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
4949 South State Route 555
Chesterhill, Ohio 43728

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 the Homer Township, Morgan County, as of and for the years ended December 31, 2019 and 2018.

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, to satisfy these requirements.

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis 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, 2019 and 2018, 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 cash balances, receipts and disbursements by fund type, and related notes of Homer Township, Morgan County as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 11 to the 2019 financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 6, 2020, 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
July 6, 2020

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, 2019

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent Fund	
Cash Receipts:					
Property and Other Local Taxes	\$ 69,626	\$ 44,705	\$ -	\$ -	\$ 114,331
Intergovernmental	18,185	160,634	-	-	178,819
Earnings on Investments	1,691	289	-	48	2,028
Miscellaneous	2,640	4,130	-	-	6,770
Total Cash Receipts	<u>92,142</u>	<u>209,758</u>	<u>-</u>	<u>48</u>	<u>301,948</u>
Cash Disbursements:					
Current:					
General Government	48,956	-	-	-	48,956
Public Safety	-	11,582	-	-	11,582
Public Works	18,273	108,549	-	-	126,822
Health	11,422	-	-	-	11,422
Capital Outlay	92,723	-	-	-	92,723
Debt Service:					
Principal Retirement	15,768	-	-	-	15,768
Interest and Fiscal Charges	3,866	-	-	-	3,866
Total Cash Disbursements	<u>191,008</u>	<u>120,131</u>	<u>-</u>	<u>-</u>	<u>311,139</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(98,866)	89,627	-	48	(9,191)
Other Cash Financing Receipts					
Other Debt Proceeds	92,723	-	-	-	92,723
Other Financing Sources	513	-	-	-	513
Total Other Cash Financing Receipts	<u>93,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,236</u>
Net Change in Fund Cash Balance	(5,630)	89,627	-	48	84,045
Fund Cash Balances, January 1	<u>48,726</u>	<u>77,835</u>	<u>41</u>	<u>3,331</u>	<u>129,933</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,000	3,000
Restricted	-	136,401	41	379	136,821
Committed	-	31,061	-	-	31,061
Unassigned (Deficit)	43,096	-	-	-	43,096
Fund Cash Balances, December 31	<u>\$ 43,096</u>	<u>\$ 167,462</u>	<u>\$ 41</u>	<u>\$ 3,379</u>	<u>\$ 213,978</u>

See notes to financial statements.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019**

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, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2019 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, 2019**

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, 2019 is as follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 185,378	\$ 185,378
Special Revenue	-	209,758	209,758
Permanent	-	48	48
Total	\$ -	\$ 395,184	\$ 395,184

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 191,008	\$ (191,008)
Special Revenue	-	120,131	(120,131)
Permanent	-	-	-
Total	\$ -	\$ 311,139	\$ (311,139)

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

Contrary to ORC 5705.38(A), the Township did not file appropriations with the county auditor.

Contrary to ORC 5705.41(B), all funds had expenditures exceeding appropriations.

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	2019 \$ 210,978
Certificate of Deposit	3,000
Total	\$ 213,978

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, 2019**

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 a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	10,519,942

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 2019, 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, 2019.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

9. DEBT

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest rate
Citizens National Bank – Truck Note	\$ 76,505	2.270%
Total	\$ 76,505	

The Township entered into a loan agreement with Citizens National Bank in January 2019 to purchase a truck in the amount of \$92,723 to be used for road maintenance. The loan will be repaid monthly in installments of \$1,475. The truck collateralizes the loan. This will be paid from the General Fund.

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

Year Ended December 31	2019 Truck Loan
2020	\$ 17,696
2021	17,696
2022	17,696
2023	17,696
2024	11,797
Total	\$ 82,581

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. SUBSEQUENT EVENTS

The United State and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2018**

	<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	\$ 65,336	\$ 44,466	\$ -	\$ -	\$ 109,802
Charges for Services	279	-	-	-	279
Intergovernmental	21,642	111,557	-	-	133,199
Earnings on Investments	303	62	-	9	374
Miscellaneous	5,652	14,636	-	-	20,288
Total Cash Receipts	<u>93,212</u>	<u>170,721</u>	<u>-</u>	<u>9</u>	<u>263,942</u>
Cash Disbursements:					
Current:					
General Government	65,496	-	-	-	65,496
Public Safety	-	11,597	-	-	11,597
Public Works	23,139	142,093	-	-	165,232
Health	11,288	-	-	17	11,305
Capital Outlay	-	1,400	-	-	1,400
Total Cash Disbursements	<u>99,923</u>	<u>155,090</u>	<u>-</u>	<u>17</u>	<u>255,030</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(6,711)	15,631	-	(8)	8,912
Other Cash Financing Receipts					
Sale of Capital Assets	2,700	-	-	-	2,700
Other Financing Sources	-	750	-	-	750
Total Other Cash Financing Receipts	<u>2,700</u>	<u>750</u>	<u>-</u>	<u>-</u>	<u>3,450</u>
Net Change in Fund Cash Balance	(4,011)	16,381	-	(8)	12,362
Fund Cash Balances, January 1, restated	<u>52,737</u>	<u>61,454</u>	<u>41</u>	<u>3,339</u>	<u>117,571</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,000	3,000
Restricted	-	50,401	41	331	50,773
Committed	-	27,434	-	-	27,434
Assigned	166	-	-	-	166
Unassigned (Deficit)	48,560	-	-	-	48,560
Fund Cash Balances, December 31	<u>\$ 48,726</u>	<u>\$ 77,835</u>	<u>\$ 41</u>	<u>\$ 3,331</u>	<u>\$ 129,933</u>

See notes to financial statements.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds

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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

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Appropriations

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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, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2018 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, 2018**

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, 2018 is as follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 95,912	\$ 95,912
Special Revenue	-	170,721	170,721
Permanent	-	9	9
Total	\$ -	\$ 266,642	\$ 266,642

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 100,089	\$ (100,089)
Special Revenue	-	155,090	(155,090)
Permanent	-	17	(17)
Total	\$ -	\$ 255,196	\$ (255,196)

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

Contrary to ORC 5705.38(A), the Township did not file appropriations with the county auditor.

Contrary to ORC 5705.41(B), all funds had expenditures exceeding appropriations.

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	2018 \$ 126,933
Certificate of Deposit	3,000
Total	\$ 129,933

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, 2018**

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 a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	<u>\$33,097,416</u>
Actuarial liabilities	7,874,610

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 2018, 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, 2018.

**HOMER TOWNSHIP
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018.

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 beginning January 1, 2018 as an audit adjustment from 2013-2017 was posted:

	<u>General</u>	<u>Special Revenue</u>
Fund Balance at December 31, 2017	\$ 78,823	\$ 66,469
Adjustments	<u>(26,086)</u>	<u>(5,015)</u>
Fund Balance at January 1, 2018	<u>\$ 52,737</u>	<u>\$ 61,454</u>

**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
4949 South State Route 555
Chesterhill, Ohio 43728

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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 6, 2020, 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.

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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider finding 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-007, 2019-008 and 2019-010 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 seven instances of noncompliance or other matters we must report under *Government Auditing Standards* described in the accompanying Schedule of Findings as items 2019-001, 2019-003, 2019-004, 2019-006, 2019-008, 2019-009 and 2019-010.

Entity's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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
July 6, 2020

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

Finding Number 2019-001

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 2019, the Fiscal Officer incorrectly posted Rollback and Homestead monies to the General Fund in the total amount of \$2,574 instead of the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$1,877 and the Fire Levy Fund, Special Revenue Fund type, in the amount of \$697.
from.

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 2019-002

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.

The "Other Adjusting Factors" at 12/31/19 and 2018 were due to the previous fiscal officer not clearing ACH payments, old outstanding checks listed that actually cleared the bank, checks written or cleared for different amounts nor deposits that were in the bank but not recorded in the amounts of \$5,973 in 2019 and \$18,828 in 2018. 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: The new fiscal officer along with some help have cleaned up the bank reconciliations and it should not be a problem moving forward.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

Finding Number 2019-003

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 2018, 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 \$12,503, understated in the Road & Bridge Fund by \$1,177, and understated in the Fire Levy Fund by \$597.

During 2019, 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 \$12,677, understated in the Road & Bridge Fund by \$1,256, and understated in the Fire Levy Fund by \$582.
- A reclassification of \$2,090 was made from Principal Retirement and to Interest and Fiscal Charges to properly show debt paid in the General Fund.
- An adjustment was made in the amount of \$92,723 to increase Debt Proceeds and Capital Outlay in the General Fund to record debt.

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.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

Finding Number 2019-004

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 2019 and 2018.

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.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

Finding Number 2019-005

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.

At December 31, 2019, appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the following funds:

	Appropriations Per Township Accounting System	Appropriations Per Board of Trustees	Variance
General	\$ 126,950	\$ -	\$ 126,950
MVL License Tax	12,000	-	12,000
Gasoline Tax	75,000	-	75,000
Road & Bridge	38,500	-	38,500
Fire Special Levy	22,000	-	22,000

At December 31, 2019, estimated receipts in the Township's ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

	Estimated Receipts Approved by the Budget Commission	Estimated Receipts Per Township's Accounting System	Variance
General	\$ -	\$ 64,755	\$ (64,755)
MVL License Tax	-	12,187	(12,187)
Gasoline Tax	-	87,072	(87,072)
Road & Bridge	-	27,140	(27,140)
Fire Special Levy	-	14,154	(14,154)

At December 31, 2018, appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the following funds:

	Appropriations Per Township Accounting System	Appropriations Per Board of Trustees	Variance
General	\$ 142,150	\$ -	\$ 142,150
MVL License Tax	16,000	-	16,000
Gasoline Tax	101,900	-	101,900
Road & Bridge	38,000	-	38,000
Fire Special Levy	22,000	-	22,000
Cemetery Bequest	100	-	100

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

Finding Number 2019-005 (Continued)

At December 31, 2018, 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	\$ -	\$ 73,432	\$ (73,432)
MVL License Tax	-	14,360	(14,360)
Gasoline Tax	-	88,677	(88,677)
Road & Bridge	-	27,369	(27,369)
Fire Special Levy	-	13,945	(13,945)
Cemetery Bequest	-	10	(10)

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 2019-006

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.

All funds had expenditures exceeding appropriations for 2019 and 2018 as no appropriation measure was filed with the County Auditor.

We recommend the Trustees review 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.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

Finding Number 2019-007

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 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, 2019 and 2018 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, 2019 were as follows:

- Assigned Fund Balance was overstated and the Restricted Fund Balance understated by \$35,897 in the Special Revenue Funds.
- Restricted Fund Balance was overstated by \$31,061 and Committed Fund Balance understated by for the Road & Bridge Fund.
- Restricted Fund Balance was overstated and the Nonspendable Fund Balance understated by \$3,000 for the Cemetery Bequest Fund.

Financial statement errors identified for the year ended December 31, 2018 were as follows:

- Unassigned Fund Balance was overstated and the Assigned Fund Balance understated by \$166 for the General Fund.
- Assigned Fund Balance was overstated and the Restricted Fund Balance understated by \$1,238 in the Special Revenue Funds.
- Restricted Fund Balance was overstated and the Committed Fund Balance understated by \$27,434 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.

**HOMER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-008

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.

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.

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.

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. The Township paid over \$15,000 in Federal, State and Local Taxes in June 2020, which were for previous periods.

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 FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-009

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt, § 133.22 allows a subdivision to issue anticipatory securities; § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and § 133.18 allows the taxing authority of subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2019, the Township signed a promissory note in the amount of \$92,723 with the Citizens National Bank to finance the purchase of a truck. This type of debt did not meet the requirements set forth in Ohio Rev. Code Chapter 133.

The Ohio Rev. Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods debt for Townships. We recommend the Township consult with legal counsel when Trustees anticipate incurring future debt to help ensure it is an allowable type of debt.

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

FINDING NUMBER 2019-010

Material Weakness/ Noncompliance

Ohio Revised Code Section 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. For financial information to be considered complete, financial statements must include footnotes. We noted the footnotes did not include certain information and there were some noted variances, as described below:

For December 31, 2019 and 2018 were as follows:

- The Township's Budgetary footnote was adjusted
- The Township's Cash footnote was adjusted
- The Township's Debt Footnote was adjusted
- The Township's Risk Management Footnote was adjusted.
- Both years were filed in the Hinkle System after the due date

We recommend the Township complete accurate and complete financial information.

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

MORGAN COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Material Weakness Improperly posting <u>Rollbacks/Homestead</u>	No	Not Corrected: Cited in current report as finding 2019-001.
2017-002	Material Weakness Bank Reconciliations	No	Not Corrected: Cited in current report as finding 2017-009.
2017-003	Noncompliance Material Weakness OAC 117-2-02 (A)	No	Not Corrected: Cited in current report as finding 2019-003
2017-004	Noncompliance Material Weakness ORC 5705.38(A) not approving and filing appropriations	No	Not Corrected: Cited in current report as finding 2019-004
2017-005	Noncompliance Material Weakness Budgetary data in system	No	Not Corrected: Cited in current report as finding 2019-005
2017-006	Noncompliance ORC 5705.41(B), expenditures exceeding appropriation	No	Not Corrected: Cited in current report as finding 2019-006
2017-007	Material Weakness GASB 54 postings	No	Not Corrected: Cited in current report as finding 2019-007
2017-008	Material Weakness Noncompliance 26 USC3404 not paying taxes withheld	No	Not Corrected: Cited in current report as finding 2019-008

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OHIO AUDITOR OF STATE KEITH FABER



HOMER TOWNSHIP

MORGAN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/1/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov