



Dave Yost • Auditor of State

**PERRY TOWNSHIP
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Perry Township
Lawrence County
172 County Road 55
Ironton, Ohio 456838

To the Board of 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 Perry Township, Lawrence County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Perry Township, Lawrence County as of December 31, 2017 and 2016, 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 our report dated June 20, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 20, 2018

Perry Township

Lawrence County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$42,309	\$170,049	\$0	\$212,358
Licenses, Permits and Fees	39,468	0	0	39,468
Intergovernmental	15,920	115,760	0	131,680
Earnings on Investments	34	13	0	47
Miscellaneous	2,718	178	0	2,896
<i>Total Cash Receipts</i>	<u>100,449</u>	<u>286,000</u>	<u>0</u>	<u>386,449</u>
Cash Disbursements				
Current:				
General Government	75,267	34,129	0	109,396
Public Safety	0	79,013	0	79,013
Public Works	25,372	151,341	0	176,713
Debt Service:				
Principal Retirement	0	0	12,034	12,034
Interest and Fiscal Charges	0	0	2,591	2,591
<i>Total Cash Disbursements</i>	<u>100,639</u>	<u>264,483</u>	<u>14,625</u>	<u>379,747</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(190)</u>	<u>21,517</u>	<u>(14,625)</u>	<u>6,702</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	0	14,625	14,625
Transfers Out	(7,312)	(7,313)	0	(14,625)
Other Financing Sources - Insurance Proceeds	11,736	0	0	11,736
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,424</u>	<u>(7,313)</u>	<u>14,625</u>	<u>11,736</u>
<i>Net Change in Fund Cash Balances</i>	<u>4,234</u>	<u>14,204</u>	<u>0</u>	<u>18,438</u>
<i>Fund Cash Balances, January 1</i>	<u>176,461</u>	<u>226,801</u>	<u>0</u>	<u>403,262</u>
Fund Cash Balances, December 31				
Restricted	0	222,373	0	222,373
Committed	0	18,632	0	18,632
Unassigned (Deficit)	180,695	0	0	180,695
<i>Fund Cash Balances, December 31</i>	<u>\$180,695</u>	<u>\$241,005</u>	<u>\$0</u>	<u>\$421,700</u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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 The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for and reports fees restricted for maintenance and repair of roads and bridges within the Township.

Fire District Fund The fire district fund accounts for and reports that portion for fire services with the Township.

Permissive Motor Vehicle License Tax Fund The permissive motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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

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:

Bond Retirement Fund The bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance the purchase of a tractor thru the issuance of bonds.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits

The Township only had deposits during the year. This was a checking account and was reported on a cash basis.

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.

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

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.

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

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

Note 3 – Compliance

Contrary to Ohio law, the Township did not properly approve a Permanent Appropriation Measure for 2017, nor file it with the Lawrence County Auditor's office. In addition to this, the Township did not file its Estimated Resources for 2017 with the County Auditor's office. Due to this non filing, contrary to Ohio Law, the Township then did not receive certification from the County Auditor's office that Appropriations were not in excess of Estimated Resources.

At December 31, 2017, expenditures being in excess of appropriations in all funds, which is also contrary to Ohio Law.

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

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$112,185	\$112,185
Special Revenue	0	286,000	286,000
Debt Service	0	14,625	14,625
Total	\$0	\$412,810	\$412,810

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$107,951	(\$107,951)
Special Revenue	0	271,796	(271,796)
Debt Service	0	14,625	(14,625)
Total	\$0	\$394,372	(\$394,372)

Note 5 – Deposits

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

	2017
Demand deposits	\$421,700

Deposits

The Township's deposits are collateralized by the financial institution's public entity deposit pool.

Note 6 – Property Taxes

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

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

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

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016 (most recent information available), 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 (most recent information available).

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$6,908.

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

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

<u>2017 Contributions to OTARMA</u>
\$15,350.

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

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

Note 10 – Debt

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

	Principal	Interest Rate
General Obligation Bonds	\$60,594	3.67%

The Township issued general obligation bonds to finance the purchase of a new tractor and mower for Township road maintenance. The Township’s taxing authority collateralized the bonds.

The Tractor Acquisition Bonds were dated March 1, 2016 of the initial denomination of \$78,000, maturing in installments on or before April 30, 2022. Debt was to be repaid in semi-annual installments to WesBanco Bank, Inc. Principal and Interest payments were to be made from the Bond Retirement Fund.

Noncompliance was noted with one of the Township’s debt covenants. The Bond Issuance documents required that a Debt Service Fund be created for the repayment of the principal and interest. However, the Township did not create such a fund. Instead, they repaid the debt from both the General and Permissive Motor Vehicle License Fund. The accompanying financial statements presented by the Township have been adjusted to report the activity in the proper funds.

Amortization

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

Year Ending December 31:	General Obligation Bonds
2018	\$14,625
2019	14,625
2020	14,625
2021	14,625
2022	7,913
Total	\$66,413

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Perry Township

Lawrence County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$40,442	\$150,618	\$0	\$191,060
Licenses, Permits and Fees	39,549	0	0	39,549
Intergovernmental	16,807	143,622	0	160,429
Earnings on Investments	38	12	0	50
Miscellaneous	6,337	1,958	0	8,295
<i>Total Cash Receipts</i>	<u>103,173</u>	<u>296,210</u>	<u>0</u>	<u>399,383</u>
Cash Disbursements				
Current:				
General Government	89,715	26,069	0	115,784
Public Safety	0	62,680	0	62,680
Public Works	0	151,977	0	151,977
Capital Outlay	104,627	30,170	0	134,797
Debt Service:		0		
Principal Retirement	0	0	5,373	5,373
Interest and Fiscal Charges	0	0	1,940	1,940
<i>Total Cash Disbursements</i>	<u>194,342</u>	<u>270,896</u>	<u>7,313</u>	<u>472,551</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(91,169)</u>	<u>25,314</u>	<u>(7,313)</u>	<u>(73,168)</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds	78,000	0	0	78,000
Transfers In	0	0	7,313	7,313
Transfers Out	0	(7,313)	0	(7,313)
		0		
<i>Total Other Financing Receipts (Disbursements)</i>	<u>78,000</u>	<u>(7,313)</u>	<u>7,313</u>	<u>78,000</u>
<i>Net Change in Fund Cash Balances</i>	(13,169)	18,001	0	4,832
<i>Fund Cash Balances, January 1</i>	<u>189,630</u>	<u>208,800</u>	<u>0</u>	<u>398,430</u>
Fund Cash Balances, December 31				
Restricted	0	219,706	0	219,706
Committed	0	7,095	0	7,095
Unassigned (Deficit)	176,461	0	0	176,461
<i>Fund Cash Balances, December 31</i>	<u>\$176,461</u>	<u>\$226,801</u>	<u>\$0</u>	<u>\$403,262</u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for and reports fees restricted for maintenance and repair of roads and bridges within the Township.

Fire District Fund The fire district fund accounts for and reports that portion for fire services with the Township.

Permissive Motor Vehicle License Tax Fund The permissive motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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

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:

Bond Retirement Fund The bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance the purchase of a tractor thru the issuance of bonds.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 4.

Deposits

The Township only had deposits during the year. This was a checking account and was reported on a cash basis.

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.

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

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.

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

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

Note 3 – Compliance

Contrary to Ohio law, the Township did not properly approve a Permanent Appropriation Measure for 2016, nor file it with the Lawrence County Auditor's office. In addition to this, the Township did not file its Estimated Resources for 2016 with the County Auditor's office. Due to this non filing, contrary to Ohio Law, the Township then did not receive certification from the County Auditor's office that Appropriations were not in excess of Estimated Resources.

At December 31, 2016, expenditures exceeded appropriations in all funds, which is also contrary to Ohio Law.

Note 4 – Budgetary Activity

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

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,775	\$181,173	\$39,398
Special Revenue	284,100	296,210	12,110
Debt Service	0	7,313	7,313
Total	\$425,875	\$484,696	\$58,821

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,630	\$194,342	(\$4,712)
Special Revenue	208,801	278,209	(69,408)
Debt Service	0	7,313	(7,313)
Total	\$398,431	\$479,864	(\$81,433)

Note 5 – Deposits

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

	2016
Demand deposits	\$403,262

Deposits

The Township’s deposits are collateralized by the financial institution’s public entity deposit pool.

Note 6 – Property Taxes

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

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

Note 7 – Risk Management

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

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

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 \$6,900.

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

<u>2016 Contributions to OTARMA</u>
\$15,333.

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

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$72,628	3.67%

The Township issued general obligation bonds to finance the purchase of a new tractor and mower for Township road maintenance. The Township's taxing authority collateralized the bonds.

The Tractor Acquisition Bonds were dated March 1, 2016 of the initial denomination of \$78,000, maturing in installments on or before April 30, 2022. Debt was to be repaid in semi-annual installments to WesBanco Bank, Inc. Principal and Interest payments were to be made from the Bond Retirement Fund.

Noncompliance was noted with one of the Township's debt covenants. The Bond Issuance documents required that a Debt Service Fund be created for the repayment of the principal and interest. However, the Township did not create such a fund. Instead, they repaid the debt from both the General and Permissive Motor Vehicle License Fund. The accompanying financial statements presented by the Township, have been adjusted to report the activity in the proper funds.

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

Amortization

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

Year Ending December 31:	General Obligation Bonds
2017	\$14,625
2018	14,625
2019	14,625
2020	14,625
2021	14,625
2022-2026	7,913
Total	<u><u>\$81,038</u></u>

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Dave Yost • Auditor of State

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

Perry Township
Lawrence County
172 County Road 55
Ironton, Ohio 456838

To the Board of Township Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Perry Township, Lawrence County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated June 20, 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 the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-006, 2017-007, and 2017-008 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 thru 2017-006.

Township's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 20, 2018

**PERRY TOWNSHIP
LAWRENCE 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

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Township passed a 2016 temporary appropriation measure which was approved by the Board of Township Trustees, and filed with the County Auditor's Office on February 8, 2016. The April 28, 2016 Board of Trustee meeting minutes indicated that a 2016 permanent appropriations resolution was approved; however, there were no dollar amounts indicated in either the minutes or the appropriation resolution and the Township could not present for audit an official permanent appropriations resolution.

The Township meeting minutes indicate that a 2017 temporary appropriation measure was passed on December 29, 2016 and a permanent appropriation measure was approved on March 30, 2017; however, there were no dollar amounts indicated in the minutes and the Township could not present for audit official temporary or permanent appropriation resolutions.

We recommend the Township pass appropriation measures as required by Ohio law, and retain the measures for use by officials and management in planning and monitoring the Township financial activity.

Officials' Response:

The Township strives to follow all Ohio Revised Code Guidance. Thus, the Township will attempt to correct this issue for future years.

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Township passed a 2016 temporary appropriation measure which was approved by the Board of Township Trustees, and filed with the County Auditor's Office on February 8, 2016. The April 28, 2016 Board of Trustee meeting minutes indicated that a 2016 permanent appropriations resolution was approved; however the Township did not file the permanent appropriation measure with the county auditor to certify that total appropriations did not exceed the total official estimate or amended official estimate.

The Township meeting minutes indicate that a 2017 temporary appropriation measure was passed on December 29, 2016 and a permanent appropriation measure was approved on March 30, 2017; however, the Township filed neither the temporary appropriations measure nor the permanent appropriation measure with the county auditor to certify that total appropriations did not exceed the total official estimate or amended official estimate.

This resulted in the Township not having a permanent appropriation measure in effect for 2017 or 2016.

We recommend the Township Fiscal Officer file the appropriation measure, as approved by the Board of Township Trustees, with the County Auditor's Office. After this is filed, the Fiscal Officer should retain the Certificate from County Auditor's Office stating that appropriations were not in excess of Estimated Resources.

Officials' Response:

The Township strives to follow all Ohio Revised Code Guidance. Thus, the Township will attempt to correct this issue for future years.

FINDING NUMBER 2017-003

Noncompliance

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations.

During 2016 and 2017, the Township Fiscal Officer posted permanent appropriations and amendments to the Uniform Accounting Network (UAN) accounting system; however, the Township could not present for audit official permanent appropriations resolutions for 2016 and 2017. Therefore, the amounts in the accounting system could not be verified as accurate.

**FINDING NUMBER 2017-003
(Continued)**

We recommend the Board of Township Trustees approve all appropriation measures and appropriation amendments, record approval in the minutes, and file all appropriation measures and amendments with the County Auditor's Office in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Fiscal Officer should post only legislatively approved appropriations and amendments to the accounting system.

Officials' Response:

The Township strives to follow all Ohio Revised Code Guidance. Thus, the Township will attempt to correct this issue for future years.

FINDING NUMBER 2017-004

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it is appropriated.

At December 31, 2017, expenditures exceeded appropriations in the following funds as follows:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ -	\$ 107,951	(\$107,951)
Motor Vehicle License Tax Fund	\$ -	\$13,563	(\$13,563)
Gasoline Tax Fund	\$ -	\$118,157	(\$118,157)
Road & Bridge Fund	\$ -	\$ 33,457	(\$33,457)
Fire District Fund	\$ -	\$ 98,889	(\$98,889)
Permissive Motor Vehicle License Tax Fund	\$ -	\$ 7,729	(\$7,729)

At December 31, 2016, expenditures exceeded appropriations in the following funds as follows:

Fund	Temporary Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$189,630	\$194,342	(\$4,712)
Motor Vehicle License Tax Fund	\$10,264	\$11,067	(\$803)
Gasoline Tax Fund	\$49,160	\$94,142	(\$44,982)
Road & Bridge Fund	\$25,949	\$56,615	(\$30,666)
Fire District Fund	\$74,256	\$78,904	(\$4,648)

The Township did not present 2016 and 2017 Permanent Appropriations for audit, and the Township presented only Temporary Appropriations for 2016. Therefore, budgetary expenditures were in excess of the appropriations.

We recommend the Township Fiscal Officer expend funds only if they are appropriated in accordance with Ohio law.

**FINDING NUMBER 2017-004
(Continued)**

Officials' Response:

The Township strives to follow all Ohio Revised Code Guidance. Thus, the Township will attempt to correct this issue for future years.

FINDING NUMBER 2017-005

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

FINDING NUMBER 2017-005
(Continued)

One hundred percent (100%) of disbursements were not properly encumbered due to the Township not approving permanent appropriations for 2017 and failure of the Township Fiscal Officer to file appropriations with the County Auditor's Office which resulted in unlawful appropriations. In 2016, the Township approved temporary appropriations and filed them with the County Auditor on February 8, 2016. The Township did not approve and file permanent appropriations with the County Auditor by April 1, 2016 as required by Ohio Rev. Code Section 5705.38(A). Therefore, any certifications done after April 1 by the Fiscal Officer may not be valid. Failure to certify the availability of funds properly can result in overspending of funds and negative cash fund balances.

Unless the Township's Board of Trustees formally approves permanent appropriations and the Township Fiscal Officer files the appropriations with the County Auditor's Office, and the Township uses the exceptions noted, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. The prior certification of purchases before entering into contracts or ordering supplies and materials improves controls over disbursements and helps reduce the possibility of the Township's funds exceeding budgetary spending limitations.

We recommend the Township approve and the Township Fiscal Officer file appropriations with the County Auditor's Office. Furthermore, we recommend officials and employees obtain the Township Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. When prior certification is not possible, "then and now" certification should be used. The Township Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

The Township strives to follow all Ohio Revised Code Guidance. Thus, the Township will attempt to correct this issue for future years.

FINDING NUMBER 2017-006

Noncompliance/Material Weakness

The Township issued 2016 tractor bonds, and as part the debt documentation, the Board of Trustees issued a "CERTIFICATE UNDER SECTIONS 103(b)(2) AND 148 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED". In this certificate, section F (3) stated that "except for the Bond Retirement Fund, no other account or fund has been or will be established to pay principal of, premium, if any, or interest on the bonds. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the Bonds, and there are no moneys, sources of funds, securities or obligations with respect to which the Issuer has given or will give any reasonable assurance to any holder of the Bonds that such funds will be available to pay principal of, premium, if any, or interest on the Bonds."

Therefore, all principal and interest payments on the bonds in the amount of \$7,313 in 2016 and \$14,625 for 2017 noted above should have been paid from a Bond Retirement Fund. However, the Township did not create such a fund for repayment. Instead, they chose to repay the debt from the Permissive Motor Vehicle License Tax Fund in 2016 and the General and Permissive Motor Vehicle License Tax Funds in 2017.

**FINDING NUMBER 2017-006
(Continued)**

This improper repayment was a result in the Township Fiscal Officer not being aware that a Bond Retirement Fund was required to repay the debt. This noncompliance caused improper reporting on the 2016 and 2017 financial statements. Adjustments have been made to both years' financial statements and Township records to correct the error this caused in reporting.

We recommend the Township create a Bond Retirement Fund and pay all future debt payments from this fund as required.

Officials' Response:

The Township will create the required Bond Retirement Fund to correct this for future years.

FINDING NUMBER 2017-007

Material Weakness

The State legislature has adopted laws to control expenditures using tax budgets and appropriations. This budgetary process is a plan to coordinate expenditures and resources, and this process should be in place in all governments. Additionally, the budget is an instrument of public policy. A governing board expresses its priorities for using a government's limited resources through its official budget.

While performing budgetary cycle testing for the Township, it was determined that no budgetary cycle process was in place and the following deficiencies were noted:

- In 2016 and 2017, both temporary and permanent appropriations were documented as approved in the minutes. The actual appropriations were not included in the minute record and the minutes did not indicate the dollar amount that was approved. The minute record simply stated "Appropriations Approved". Township officials and management had no official budget to monitor the Township's financial activity during 2016 and 2017. (Finding Number 2017-001)
- In 2016 and 2017, permanent appropriations were not submitted to the County Auditor's office. (Finding Number 2017-001 and Finding Number 2017-002)
- Amended appropriation measures were posted to the UAN System but were not approved by the Board of Trustees or submitted to the County Auditor's Office. Therefore the budget amounts entered into the accounting system were incorrect. (Finding Number 2017-003)
- The Township did not file a tax budget with the County Auditor's Office for 2017 which resulted in the lack of an Official Certificate of Estimated Resources for 2017. The Official Certificate of Estimated Resources is utilized to determine the pay bracket for the Township Fiscal Officer and Trustees. It is also used to determine the maximum amount that can be appropriated. The lack of Certificate of Estimated Resources creates questions as to the Township Fiscal Officer and Trustees salary, and increases the risk the Township could spend amounts in excess of available resources.
- The Township posted estimated revenues to the UAN system; however there was no official certificate of estimated resources for 2017 to support these figures. Therefore, the accuracy of the estimated resources entered into the accounting system was questionable.
- The Board of Trustees was not provided any comparison of budgeted financial activity with actual financial activity. Therefore the Board of Trustees did not have the ability to monitor the financial activity of the Township during the year.

**FINDING NUMBER 2017-007
(Continued)**

- The Notes to the Financial Statements filed in the Hinkle System did not report the correct budgetary activity amounts. In 2017, the Township reported \$141,775 in Budgeted General Fund receipts; \$284,097 in Budgeted Special Revenue receipts; \$327,347 in General Fund appropriations; and \$501,787 in Special Revenue appropriations. Since the Township did not properly approve and file appropriations and estimated resources, these amounts should have been reported as \$0. In 2016, the Township reported \$331,404 in General Fund appropriations and \$492,901 in Special Revenue appropriations. The Township should have reported only the temporary appropriation amounts of \$189,630 for the General Fund and \$208,801 for the Special Revenue funds since the permanent appropriations were not properly approved.

These conditions resulted in a lack of information for officials to monitor and manage Township financial activity, and could result in overspending and deficit fund balances.

We recommend the Township Fiscal Officer and Trustees become familiar with the budgetary requirements of the Ohio Revised Code. We further recommend the Township develop and implement a budgetary cycle that is in compliance with the Ohio Revised Code, and includes the development, approval, documentation, filing and monitoring of the official budget.

Officials' Response:

The Township strives to follow all Ohio Revised Code Guidance. Thus, the Township will attempt to correct this issue for future years.

FINDING NUMBER 2017-008

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In order to achieve proper 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

Sound financial reporting is the responsibility of the Township Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

The Township misclassified and misposted various revenues, expenditures, and fund balances in the annual financial report submitted to the Auditor of State for fiscal years 2017 and 2016, as follows:

FINDING NUMBER 2017-008
(Continued)

December 31, 2017 Financial Statements:

- The Township did not report principal and interest payments from a Bond Retirement Fund as required. Instead, the debt service payments were made from the General and Permissive Motor Vehicle License Tax Funds. This resulted in an overstatement of disbursements of \$7,312 and \$7,313 in the General and Permissive Motor Vehicle License Tax Funds, respectively, and an overstatement of General Fund disbursements.
- Insurance proceeds in the amount of \$11,736 were recorded as Miscellaneous Operating receipts instead of Other Financing Sources - Insurance Proceeds Revenue.
- Tax receipts in the amount of \$18,067 were recorded in the General Fund, but should have been recorded in the Permissive Motor Vehicle License Tax Fund.
- General Fund General Government disbursements were overstated by \$25,372, and General Fund Public Works disbursements were understated by the same amount. .

Material Weakness

- Homestead and Rollback receipts in the amount of \$16,095 were recorded in the Fire District Fund as Tax receipts instead of as Intergovernmental receipts.
- Gasoline Tax Fund disbursements of \$106,038 were classified as General Government disbursements instead of Public Works disbursements.
- Road and Bridge Fund disbursements of \$31,740 were classified as General Government disbursements instead of Public Works disbursements.
- Fire District Fund disbursements of \$78,923 were classified as General Government disbursements instead of Public Safety disbursements.
- The Road and Bridge December 31, 2017 fund balance was classified as restricted instead of committed in the amount of \$18,632.

December 31, 2016 Financial Statements:

- The Township did not report principal and interest payments from a Bond Retirement Fund as required. Instead, the debt service payments were made from the Permissive Motor Vehicle License Tax Fund. This resulted in the overstatement of Permissive Motor Vehicle License Tax Fund disbursements of \$7,313, and an understatement of Bond Retirement Fund disbursements of the same amount
- Debt proceeds of \$77,500 were recorded as General Fund Miscellaneous Operating receipts instead of Debt Proceeds- Sale of Bonds receipts.
- Disbursements for a tractor purchase and related equipment in the amount of \$92,627 were recorded in the General Fund as Other disbursements instead of Capital Outlay disbursements.
- General Fund Tax receipts were overstated by \$8,276, and Permissive Motor Vehicle License Tax Fund Tax receipts were understated by the same amount.

FINDING NUMBER 2017-009
(Continued)

- The purchase of a pole barn for \$12,000 was recorded as a General Fund General Government disbursement instead of a Capital Outlay disbursement.
- Homestead and Rollback receipts in the amount of \$16,193 were recorded in the Fire District Fund as Tax receipts in the instead of Intergovernmental receipts.
- Gasoline Tax Fund disbursements of \$85,122 were classified as General Government disbursements instead of Public Works disbursements.
- Road and Bridge Fund disbursements of \$55,344 were classified as General Government disbursements instead of Public Works disbursements.
- Fire District Fund disbursements of \$61,454 were classified as General Government disbursements instead of Public Safety disbursements.
- Road and Bridge Fund “on behalf of payments” for an OPWC project were not recorded. This resulted in an understatement of Intergovernmental receipts and Capital Outlay disbursements in the amount of \$30,170.
- The December 31, 2016 Road and Bridge fund balance was classified as restricted instead of committed in the amount of \$7,095. This amount is considered committed since it is a result of inside millage.

The Township has corrected the financial statements and accounting records as appropriate.

To ensure the Township’s financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and footnotes by the Township Fiscal Officer and Board of Trustees to identify and correct errors and omissions.

We also recommend the Township Fiscal Officer take due care in posting transactions in order to ensure the annual financial statements reflect the appropriate activity for the Township’s receipts and disbursements.

Officials’ Response:

The Township will strive to correct these types of posting errors for future years.

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Dave Yost • Auditor of State

PERRY TOWNSHIP

LAWRENCE 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
JULY 24, 2018