



OHIO AUDITOR OF STATE
KEITH FABER



**AMES TOWNSHIP
ATHENS COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Ames Township
Athens County
16171 E. Kasler Creek Road
P.O. Box 158
Amesville, Ohio 45711

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Ames Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017 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 Ames Township, Athens County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

July 2, 2019

Ames Township
Athens County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$36,806	\$226,338	\$263,144
Intergovernmental	16,322	133,419	149,741
Earnings on Investments	166	6	172
Miscellaneous	500	2,916	3,416
<i>Total Cash Receipts</i>	<u>53,794</u>	<u>362,679</u>	<u>416,473</u>
Cash Disbursements			
Current:			
General Government	56,703	4,447	61,150
Public Safety	0	19,411	19,411
Public Works	0	274,049	274,049
Health	1,590	39,836	41,426
Debt Service:			
Principal Retirement	5,000	5,000	10,000
Interest and Fiscal Charges	0	974	974
<i>Total Cash Disbursements</i>	<u>63,293</u>	<u>343,717</u>	<u>407,010</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,499)</u>	<u>18,962</u>	<u>9,463</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	251	0	251
<i>Total Other Financing Receipts (Disbursements)</i>	<u>251</u>	<u>0</u>	<u>251</u>
<i>Net Change in Fund Cash Balances</i>	(9,248)	18,962	9,714
<i>Fund Cash Balances, January 1</i>	<u>34,687</u>	<u>127,860</u>	<u>162,547</u>
Fund Cash Balances, December 31			
Restricted	0	146,822	146,822
Assigned	16,920	0	16,920
Unassigned (Deficit)	8,519	0	8,519
<i>Fund Cash Balances, December 31</i>	<u>\$25,439</u>	<u>\$146,822</u>	<u>\$172,261</u>

See accompanying notes to the basic financial statements.

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Ames Township
Athens County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Ames Township, Athens County, Ohio (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, and fire protection. The Township contracts with the Ames-Bern Amesville Volunteer Fire Fighters Inc. to provide fire services. The Township has a levy to support this contract.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 7 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Special Levy Fire Fund The Special Levy Fire Fund accounts for and reports proceeds from property taxes restricted for fire department services and contractual commitments to the Ames-Bern Amesville Volunteer Fire Fighters Inc.

Basis of Accounting

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

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

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

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. Appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into 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.

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

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, budgetary expenditures exceeded total estimated resources in the General Fund by \$15,006, Gasoline Tax fund by \$17,505, in the Road and Bridge fund by \$6,000, in the Cemetery fund by \$1,500, and in the Special Levy (2191) fund by \$2,016 for the year ended December 31, 2018.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,000	\$54,045	(\$2,955)
Special Revenue	311,637	362,679	51,042
Total	\$368,637	\$416,724	\$48,087

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,892	\$63,293	\$25,599
Special Revenue	481,156	343,717	137,439
Total	\$570,048	\$407,010	\$163,038

Note 5 – Deposits

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

Demand deposits	2018 \$161,961
Certificates of deposit	10,300
Total deposits	\$172,261

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

As of December 31, 2018, the Township held a \$10,300.00 in a certificate of deposit held by the Hocking Valley Bank, Athens Ohio, interest rate of 1.59% 60 month and payable quarterly.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Risk Pool Membership

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

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

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, 2018.

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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Government Obligation Contract	\$10,657	2.97%

The Township entered into a General Obligation Contract for \$50,300 with KS StateBank, with a five-year term, in 2016 to finance the purchase of a road grader for Township road maintenance. The Township makes payments from the General, Road & Bridge, Gasoline Tax, and Permissive Motor Vehicle License Tax funds. The final payment is scheduled for January 15, 2021.

Leases

The Township leases one acre of property from Gilbert and Rebecca Rhondy for the purpose of the storage of Township equipment and or Limestone or gravel. The Township disbursed \$600 to pay lease costs for the year ended December 31, 2018.

Amortization

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

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

Year Ending December 31:	Leases	General Obligation Contract
2019	600	
2020		
2021		10,974
Total	\$600	\$10,974

Note 11 – Contingent Liabilities

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

Ames Township
Athens County
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	\$38,228	\$237,793	\$0	\$276,021
Intergovernmental	18,097	129,607	0	147,704
Earnings on Investments	161	15	0	176
Miscellaneous	0	1,596	0	1,596
<i>Total Cash Receipts</i>	<u>56,486</u>	<u>369,011</u>	<u>0</u>	<u>425,497</u>
Cash Disbursements				
Current:				
General Government	38,376	4,704	0	43,080
Public Safety	0	17,293	0	17,293
Public Works	0	250,567	0	250,567
Health	1,667	54,888	0	56,555
Capital Outlay	3,132	15,135	0	18,267
Debt Service:				
Principal Retirement	0	10,051	0	10,051
Interest and Fiscal Charges	0	922	0	922
<i>Total Cash Disbursements</i>	<u>43,175</u>	<u>353,560</u>	<u>0</u>	<u>396,735</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,311</u>	<u>15,451</u>	<u>0</u>	<u>28,762</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	4,179	21,948	26,127
Transfers Out	(26,127)	0	0	(26,127)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(26,127)</u>	<u>4,179</u>	<u>21,948</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(12,816)	19,630	21,948	28,762
<i>Fund Cash Balances, January 1</i>	<u>47,503</u>	<u>108,230</u>	<u>(21,948)</u>	<u>133,785</u>
Fund Cash Balances, December 31				
Restricted	0	127,860	0	127,860
Assigned	31,892	0	0	31,892
Unassigned (Deficit)	2,795	0	0	2,795
<i>Fund Cash Balances, December 31</i>	<u>\$34,687</u>	<u>\$127,860</u>	<u>\$0</u>	<u>\$162,547</u>

See accompanying notes to the basic financial statements.

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Ames Township
Athens 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 Ames Township, Athens County, Ohio (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, and fire protection. The Township contracts with the Ames-Bern Amesville Volunteer Fire Fighters Inc. to provide fire services. The Township has a levy to support this contract.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 7 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Cemetery Fund The Cemetery Fund accounts for and reports levy monies for the purpose of maintaining Township cemeteries.

Special Levy Fire Fund The Special Levy Fire Fund accounts for and reports proceeds from property taxes restricted for fire department services and contractual commitments to the Ames-Bern Amesville Volunteer Fire Fighters Inc.

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 Funds:

General Bond Retirement Fund This fund receives money from the General, Motor Vehicle License Tax, and Gasoline Tax Funds to retire bonded debt issued to finance road equipment.

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Basis of Accounting

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

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

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. Appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into 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.

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

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, budgetary expenditures exceeded total estimated resources in the Gasoline Tax fund by \$9,513, in the Cemetery fund by \$8,105, in the Special Levy (2192) fund by \$940, and in the Permissive Motor Vehicle fund by \$2,273 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	\$55,177	\$56,486	\$1,309
Special Revenue	326,028	373,190	47,162
Debt Service	21,922	21,948	26
Total	\$403,127	\$451,624	\$48,497

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,250	\$69,302	\$11,948
Special Revenue	407,650	353,560	54,090
Debt Service	11,000	0	11,000
Total	\$499,900	\$422,862	\$77,038

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Note 5 – Deposits

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

	<u>2017</u>
Demand deposits	\$152,247
Certificates of deposit	10,300
Total deposits	<u><u>\$162,547</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

As of December 31, 2017, the Township held a \$10,300.00 in a certificate of deposit held by the Hocking Valley Bank, Athens Ohio, interest rate of 1.59% 60 month and payable quarterly.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

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

Financial Position

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

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

2017 Contributions to OTARMA
\$5,942

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.

Ames Township
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended 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 percent during calendar year 2017.

Note 10 – Debt

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

	Principal	Interest Rate
Government Obligation Contract	\$21,007	2.97%

The Township entered into a General Obligation Contract for \$50,300 with KS StateBank, with a five-year term, in 2016 to finance the purchase of a road grader for Township road maintenance. The Township makes payments from the General, Road & Bridge, Gasoline Tax, and Permissive Motor Vehicle License Tax funds. The final payment is scheduled for January 15, 2021.

Leases

The Township leases one acre of property from Gilbert and Rebecca Rhondy for the purpose of the storage of Township equipment and or Limestone or gravel. The Township disbursed \$600 to pay lease costs for the year ended December 31, 2017.

Amortization

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

Year Ending December 31:	Leases	General Obligation Contract
2018	\$600	
2019	600	
2020		10,974
2021		10,974
Total	\$1,200	\$21,948

Note 11 – Contingent Liabilities

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

OHIO AUDITOR OF STATE KEITH FABER



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

Ames Township
Athens County
16171 E. Kasler Creek Road
PO Box 158
Amesville, Ohio 45711

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Ames Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2018-004 and 2018-005 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 item 2018-001 through 2018-003.

Entity's Response to Findings

The Township's responses to the Findings identified in our audit is described in the accompanying Schedule of Findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 2, 2019

AMES TOWNSHIP
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 505.262(A) authorizes a board of township trustees to issue notes of the Township to finance installment payments for purchases of equipment, buildings, and sites for any lawful Township purpose. All notes issued under Ohio Rev. Code § 505.262(A) are subject to the maturity limitations in Ohio Rev. Code § 133.20. Furthermore, the Attorney General opined that Ohio Rev. Code § 505.262(A) does not grant explicitly or implicitly the authority of the Township to grant a security interest in the property purchase by installment contract.

The Township had a promissory note during the audit period originating in 2016 in the amount of \$50,300 (with an outstanding balance at December 31, 2018 of \$10,657) that did not meet the requirements of Ohio Rev. Code § 133.20.

The Board should authorize only the issuance of notes pursuant to Ohio Rev. Code § 133.20.

Officials' Response: We now understand promissory notes are not allowed. We will be more careful in future purchases.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code §§ 5705.14 and .16, provides that certain interfund transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

In 2017, the Fiscal Officer posted interfund transfers totaling \$4,179 and \$21,947 to the Permissive Motor Vehicle License Tax fund and General Bond/Note Retirement Fund, respectively, from the General Fund to eliminate the negative fund balance caused by prior audit adjustments. The transfers were allowable; however, the Board did not document formal approval of the transfers in the minute record. Posting interfund activity without the proper authorization could result in improper transfers and audit adjustments.

The Board should approve all transfers by resolution passed with the affirmative vote of two thirds of the members and should reflect this approval in their record of proceedings to allow for a higher level of transparency.

Officials' Response: Approval of audit adjustment was oversight.

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources as certified by the Budget Commission.

At December 31, 2017, appropriations exceeded estimated resources as follows:

- In the Gasoline tax Fund by \$9,513
- In the Cemetery Fund by \$8,105
- In the Special Levy (2192) Fund by \$940

**AMES TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-003 (Continued)

Noncompliance - Ohio Rev. Code § 5705.39 (Continued)

- In the Permissive Motor Vehicle Fund by \$2,273

At December 31, 2018, appropriations exceeded estimated resources as follows:

- In the General Fund by \$15,006
- In the Gasoline tax Fund by \$17,505
- In the Road and Bridge Fund by \$6,000
- In the Cemetery Fund by \$1,500
- In the Special Levy (2191) Fund by \$2,016

This was an oversight by the Fiscal Officer and Board. The failure to limit appropriations to estimated resources could result in negative fund balances.

The Fiscal Officer and Board should monitor estimated revenue and appropriations to ensure that appropriations are within estimated resources.

Officials' Response: This was an oversight; we will be more careful with Trustee's help.

FINDING NUMBER 2018-004

Material Weakness- Equity Classification

In our audit engagement letter, as required by AU-C § 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 § 210 paragraphs .A14 & .A16.

Additionally, Auditor of State Bulletin 2011-004 mandated Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010.

The Fiscal Officer classified certain transactions incorrectly resulting in material audit adjustments.

For the year ended December 31, 2018, the Fiscal Officer did not properly classify fund balances in accordance with GASB 54 as outlined in AOS Bulletin 2011-004. Because the 2019 General Fund appropriations exceeded the 2019 General Fund estimated receipts, \$16,920 of the December 31, 2018 Fund Balance was reclassified as Assigned rather than Unassigned.

For the year ended December 31, 2017, the Fiscal Officer did not properly classify fund balances in accordance with GASB 54 as outlined in AOS Bulletin 2011-004. Because the 2018 General Fund appropriations exceeded the 2018 General Fund estimated receipts, \$31,892 of the December 31, 2017 Fund Balance was reclassified as Assigned rather than Unassigned.

**AMES TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-004 (Continued)

Material Weakness- Equity Classification (Continued)

These misstatements were caused by confusion over proper posting. As a result, reclassifications, with which the Township’s management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

The Fiscal Officer should refer to the Township Handbook and AOS Bulletin 2011-004 for proper classification and take additional care in posting transactions to the Township’s ledgers in order to ensure the financial statements reflect the appropriate classifications.

Officials’ Response: We will refer to Bulletin 2011-004.

FINDING NUMBER 2018-005

Material Weakness- Budgetary Information Posted to Accounting System

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

The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2017, estimated receipts posted to the system varied from those approved by the Board as follows:

Fund	Approved Amount	Amount Posted to Accounting System	Variance
General	\$55,177	\$45,110	(\$10,067)
Motor Vehicle License Tax	10,885	3,505	(7,380)
Gasoline Tax	78,484	88,005	9,521
Road and Bridge	51,702	51,000	(702)
Cemetery	53,500	58,300	4,800
Special Levy (2191)	18,944	17,700	(1,244)
Special Levy (2192)	103,513	113,500	9,987
Permissive Motor Vehicle License Tax	9,000	11,505	2,505
General Bond Retirement	21,922	11,000	(10,922)

**AMES TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-005 (Continued)

Material Weakness- Budgetary Information Posted to Accounting System (Continued)

At December 31, 2017, appropriations posted to the system varied from those approved by the Board as follows:

<u>Fund</u>	<u>Approved Amount</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
Gasoline Tax	\$100,000	\$108,000	\$8,000
Cemetery	70,650	71,650	1,000

At December 31, 2018, estimated receipts posted to the system varied from those approved by the Board as follows:

<u>Fund</u>	<u>Approved Amount</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
General	\$57,000	\$58,365	\$1,365
Motor Vehicle License Tax	2,553	12,371	9,818
Gasoline Tax	71,032	97,505	26,473
Road and Bridge	17,690	57,000	39,310
Cemetery	35,143	60,000	24,857
Special Levy (2191)	9,924	19,800	9,876
Special Levy (2192)	154,766	125,500	(29,266)
Permissive Motor Vehicle License Tax	5,529	8,757	3,228
Miscellaneous Special Revenue	15,000	0	(15,000)

At December 31, 2018, appropriations posted to the system varied from those approved by the Board as follows:

<u>Fund</u>	<u>Approved Amount</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
Special Levy (2192)	\$164,386	\$192,593	\$28,207

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

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

**AMES TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2018-005 (Continued)

Material Weakness- Budgetary Information Posted to Accounting System (Continued)

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

Officials' Response: Procedures and practices will be monitored more carefully.

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OHIO AUDITOR OF STATE KEITH FABER



AMES TOWNSHIP

ATHENS 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 16, 2019**