



OHIO AUDITOR OF STATE
KEITH FABER



**BEARFIELD TOWNSHIP
PERRY COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Bearfield Township
Perry County
1795 Township Road 320
Crooksville, Ohio 43731

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 Bearfield Township, Perry 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 Bearfield Township, Perry 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 December 30, 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

December 30, 2019

Bearfield Township*Perry 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, 2018*

	General	Special Revenue	(Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$34,834	\$37,124	\$71,958
Road Maintenance Fees	0	86,000	86,000
Licenses, Permits and Fees	0	12,700	12,700
Intergovernmental	19,929	131,076	151,005
Miscellaneous	1,605	4,722	6,327
<i>Total Cash Receipts</i>	<u>56,368</u>	<u>271,622</u>	<u>327,990</u>
Cash Disbursements			
Current:			
General Government	53,612	0	53,612
Public Safety	0	34,091	34,091
Public Works	0	225,121	225,121
Health	0	23,373	23,373
Conservation-Recreation	300	698	998
Capital Outlay	0	50,000	50,000
Debt Service:			
Principal Retirement	0	14,085	14,085
Interest and Fiscal Charges	0	415	415
<i>Total Cash Disbursements</i>	<u>53,912</u>	<u>347,783</u>	<u>401,695</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,456</u>	<u>(76,161)</u>	<u>(73,705)</u>
Other Financing Receipts (Disbursements)			
Loans Issued	0	50,000	50,000
Sale of Capital Assets	0	20,000	20,000
Transfers In	0	26,118	26,118
Transfers Out	0	(26,118)	(26,118)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>70,000</u>	<u>70,000</u>
<i>Net Change in Fund Cash Balances</i>	2,456	(6,161)	(3,705)
<i>Fund Cash Balances, January 1</i>	<u>6,637</u>	<u>80,649</u>	<u>87,286</u>
Fund Cash Balances, December 31			
Restricted	0	74,488	74,488
Assigned	9,093	0	9,093
<i>Fund Cash Balances, December 31</i>	<u>\$9,093</u>	<u>\$74,488</u>	<u>\$83,581</u>

See accompanying notes to the basic financial statements

Bearfield Township
Perry 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 the Bearfield Township, Perry 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. The Township contracts with the Village of Crooksville to provide fire and emergency services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for these entities. 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, 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:

Gas Tax Fund The gas 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.

Bearfield Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 (except certain agency funds) 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 3.

Deposits and Investments

The Township's accounting basis includes no investments; only demand deposits which are insured by the Federal Deposit Insurance Corporation.

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.

Bearfield Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,435	\$56,368	(\$9,067)
Special Revenue	276,241	367,740	91,499
Total	\$341,676	\$424,108	\$82,432

Bearfield Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,586	\$53,912	\$13,674
Special Revenue	245,794	373,901	(128,107)
Total	\$313,380	\$427,813	(\$114,433)

Contrary to Ohio Rev. Section 5705.41(B), the Township made expenditures in excess of appropriations in the Gasoline Tax Fund.

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$83,581

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 6 – Risk Management

Risk Pool Membership

The Township is a member of Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- General liability and casualty;
- Public official’s liability; and
- Vehicle.

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

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	\$7,874,610

Bearfield Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township Trustees, Fiscal Officer and other 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 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 0 percent of the employer contribution to fund these benefits.

Note 9 – Debt

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

	Principal	Interest Rate
Truck Note	35,915	3.38%

The Township issued a promissory note to finance the purchase of a new truck for Township road maintenance. The note entered into by the Township was not a legal method of debt for a Township under Ohio Rev. Code § 133.

Amortization

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

Year Ending December 31:	Truck
2019	\$10,881
2020	10,881
2021	10,881
2022	10,881
2023	8,163
Total	\$51,687

The above amortization schedule does not take into consideration additional principal payments of \$11,780 made by the Township during 2018 as an updated amortization schedule was not available.

Bearfield Township*Perry 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	Total (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$31,286	\$37,587	\$68,873
Licenses, Permits and Fees	0	7,700	7,700
Intergovernmental	19,378	108,891	128,269
Earnings on Investments	22	24	46
Miscellaneous	1,231	4,480	5,711
<i>Total Cash Receipts</i>	<u>51,917</u>	<u>158,682</u>	<u>210,599</u>
Cash Disbursements			
Current:			
General Government	50,548	0	50,548
Public Safety	0	31,562	31,562
Public Works	5,576	60,350	65,926
Health	0	45,778	45,778
Conservation-Recreation	0	910	910
Other	300	0	300
<i>Total Cash Disbursements</i>	<u>56,424</u>	<u>138,600</u>	<u>195,024</u>
<i>Net Change in Fund Cash Balances</i>	(4,507)	20,082	15,575
<i>Fund Cash Balances, January 1</i>	<u>11,144</u>	<u>60,567</u>	<u>71,711</u>
Fund Cash Balances, December 31			
Restricted	0	80,649	80,649
Assigned	2,151	0	2,151
Unassigned (Deficit)	<u>4,486</u>	<u>0</u>	<u>4,486</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,637</u></u>	<u><u>\$80,649</u></u>	<u><u>\$87,286</u></u>

See accompanying notes to the basic financial statements

Bearfield Township
Perry 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 Bearfield Township, Perry 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. The Township contracts with the Village of Crooksville to provide fire and emergency medical services.

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Basis of Presentation

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Basis of Accounting

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

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 (except certain agency funds) 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 3.

Deposits and Investments

The Township's accounting basis includes no investments; only demand deposits which are insured by the Federal Deposit Insurance Corporation.

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:

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Bearfield Township
Perry County
Notes to the Financial Statements
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 – 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	\$60,888	\$51,917	(\$8,971)
Special Revenue	158,810	158,682	(128)
Total	\$219,698	\$210,599	(\$9,099)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,088	\$56,424	\$15,664
Special Revenue	217,934	138,600	79,334
Total	\$290,022	\$195,024	\$94,998

Note 4 – Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments.

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

The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	\$87,286

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 6 – Risk Management

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

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

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

Casualty and Property Coverage

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

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

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

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
\$5,680

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Bearfield Township has six (6) employees who 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.

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

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits.

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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

Bearfield Township
Perry County
1795 Township Road 320
Crooksville, Ohio 43731

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 Bearfield Township, Perry 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 December 30, 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 opinion 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 2018-001 and 2018-003 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 2018-002 and 2018-004.

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

December 30, 2019

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

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 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.

The Township did not have procedures in place to accurately post estimated receipts to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system for 2018 or 2017.

Failure to accurately post the 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.

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.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt including:

- Ohio Rev. Code § 133.22, a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.
- Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.
- Ohio Rev. Code § 133.15, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.
- Ohio Rev. Code § 133.18, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2018, the Township signed a promissory note with a local bank to purchase a truck in the amount of \$50,000. The Township also made principal payments on this promissory note in the amount of \$14,085. The promissory note was used by the Township to purchase a new truck for road maintenance.

**BEARFIELD TOWNSHIP
PERRY 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)
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FINDING NUMBER 2018-002 (Continued)

Noncompliance (Continued)

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

FINDING NUMBER 2018-003

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 and .A16.

Furthermore, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. Auditor of State Bulletin 2011-004 requires local governments which prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

For the fiscal year ending December 31, 2018, the following misstatements were noted in the Township's financial statements:

- Local government distribution receipts, totaling \$14,057, were posted to the General Fund as Property and Other Local Taxes rather than Intergovernmental receipts.
- Motor vehicle license tax distribution receipts, totaling \$10,002, was posted to the Motor Vehicle License Tax Fund as Licenses, Permits and Fees rather than Intergovernmental receipts.
- Gasoline tax receipts, totaling \$89,727, was posted to Gasoline Tax Fund as Property and Other Local Taxes rather than Intergovernmental receipts.
- FEMA reimbursements, in the amounts of \$11,967 and \$14,151, were posted as Special Assessment and Miscellaneous receipts, respectively, in the Gasoline Tax Fund instead of as Intergovernmental receipts in the FEMA Fund with a corresponding Transfer Out of \$26,118 from the FEMA Fund and Transfer In in the Gasoline Tax Fund.
- Proceeds for the sale of a truck, in the amount of \$20,000, was posted as Miscellaneous receipts instead of Sale of Capital Assets in the Gasoline Tax Fund.
- Road maintenance fees, in the amount of \$86,000, were posted as Miscellaneous receipts instead of Road Maintenance Fees in the Gasoline Tax Fund.
- Beginning fund balances, ranging from \$682 to \$60,963, were not included in the ending fund balances of the Township's funds and Township fund balances, ranging from \$13,152 to \$45,201 were not properly classified in accordance with GASB Statement No. 54.

**BEARFIELD TOWNSHIP
PERRY 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)
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FINDING NUMBER 2018-003 (Continued)

Material Weakness (Continued)

- The Township acquired a loan for a truck in the amount of \$50,000 but did not post the debt proceeds or the capital outlay expenditure in the same amount to its ledgers. In addition, debt principal and interest payments on this debt in the amounts of \$14,085 and \$415 respectively were posted to general government expenditures in the Gasoline Tax Fund.
- The Township incorrectly classified certain expenditures as General Government. Adjustments were made, in the amounts of \$225,121 and \$3,510, to classify these expenditures as Public Works in the Gasoline Tax and Motor Vehicle License Tax Funds, respectively and, in the amount of \$23,273 to classify expenditures as Health in the Cemetery Fund.

For the fiscal year ending December 31, 2017, the following misstatements were noted in the Township's financial statements:

- Local government distribution receipts, totaling \$14,055, were posted entirely to the General Fund as Property and Other Local Taxes rather than Intergovernmental receipts.
- Motor vehicle license tax distribution receipts, totaling \$9,867, were posted to the Motor Vehicle License Tax Fund as Licenses, Permits and Fees rather than Intergovernmental receipts.
- Gasoline Tax receipts, totaling \$93,550, were posted to the Gasoline Tax Fund as Property and Other Local Taxes rather than Intergovernmental receipts.
- Opening and closing of cemetery grave receipts, in the amount of \$7,700, were posted to the Cemetery Fund as Miscellaneous receipts rather than Licenses, Permits and Fees.
- Sale of cemetery lots, in the amount of \$3,000, were recorded as Cemetery Fund Licenses, Permits and Fees rather than Miscellaneous receipts.
- Beginning fund balances, ranging from \$1,072 to \$29,747, were not included in the ending fund balances of the Township's funds and Township fund balances, ranging from \$682 to \$59,059 were not properly classified in accordance with GASB Statement No. 54.
- The Township incorrectly classified certain expenditures as General Government. Adjustments were made, in the amounts of \$57,039 and \$3,311, to classify these expenditures as Public Works in the Gasoline Tax and Motor Vehicle License Tax Funds, respectively and, in the amount of \$45,778 to classify expenditures as Health in the Cemetery Fund.

Adjustments, with which management has agreed, are reflected in the accompanying financial statements of the Township to correct these errors. Failure to properly classify fund balances and receipts on the financial statements could result in the financial statements being misleading. We also noted other immaterial unadjusted misstatements that were brought to the attention of the Township management.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification of receipts and fund balances and take additional care in posting transactions to the Township's accounting system and annual financial report to ensure the Township's year-end financial statements reflect the appropriate sources, uses, and classification of the Township's receipts, disbursements, and fund balances.

FINDING NUMBER 2018-004

Noncompliance

Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Furthermore, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

**BEARFIELD TOWNSHIP
PERRY 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)
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FINDING NUMBER 2018-004 (Continued)

Noncompliance (Continued)

During 2018, we noted an appropriation amendment, in the amount of \$86,000, for the Gasoline Tax Fund which was filed with the County but was not approved by the Board of Trustees. This resulted in expenditures exceeding Board approved appropriations in the Gasoline Tax Fund in the amount of \$77,152.

In addition, as discussed in Finding Number 2018-003, we proposed an adjustment to expenditures in the Gasoline Tax Fund in the amount of \$50,000 for loan proceeds and the associated capital outlay expenditure which was not recorded or appropriated by the Township. This resulted in adjusted expenditures exceeding Board approved appropriations in the amount of \$127,152.

The failure to properly approve Township appropriations and subsequent amendments could result in deficit fund balances or monies being spent on purposes other than those intended by the Board.

The Board of Trustees should approve all appropriations measures, supplemental appropriations, and amendments and such approvals should be documented in the minutes. In addition, the Township should only make expenditures for which there are adequate appropriations available to do so. Periodically, the Board should review budget versus actual information in order to monitor the spending of the Township. The Fiscal Officer should deny requests for payment when appropriations are not available.

Officials' Response: We did not receive a response from Officials to these Findings.

BEARFIELD TOWNSHIP
CROOKSVILLE, OHIO 43731

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Admin. Code § 117-2-02 (A) - incorrectly posting activity to the Township's financials statements.	Not Corrected	
2016-002	Ohio Admin Code § 117-2-02 (C) – not posting estimated receipts to the Township receipts ledger.	Not Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



BEARFIELD TOWNSHIP

PERRY 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
JANUARY 16, 2020**