

**TROY TOWNSHIP
MORROW COUNTY**

AUDIT REPORT

JANUARY 1, 2017 - DECEMBER 31, 2018

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

OHIO AUDITOR OF STATE KEITH FABER



Board of Trustees
Troy Township
7833 County Road 37, Route 14
Lexington, Ohio 44904

We have reviewed the *Independent Auditors' Report* of Troy Township, Morrow County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

April 8, 2019

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**TROY TOWNSHIP
MORROW COUNTY
JANUARY 1, 2017 - DECEMBER 31, 2018**

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

INDEPENDENT AUDITORS' REPORT

Troy Township
Morrow County
7883 County Road 37, Route 14
Lexington, Ohio 44904

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Troy Township, Morrow County, 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Troy Township, Morrow County as of December 31, 2018 and 2017, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and the related notes of Troy Township, Morrow County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2019, on our consideration of Troy Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
February 18, 2019

**TROY TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 21,915	\$ 70,582	\$ 92,497
Licenses, Permits and Fees	11,229	-	11,229
Intergovernmental	19,383	109,104	128,487
Special Assessments	-	1,632	1,632
Earnings on Investments	-	141	141
Miscellaneous	1,210	-	1,210
Total Cash Receipts	<u>53,737</u>	<u>181,459</u>	<u>235,196</u>
Cash Disbursements:			
Current:			
General Government	49,677	3,962	53,639
Public Safety	-	49,158	49,158
Public Works	-	151,593	151,593
Health	295	-	295
Debt Service			
Principal Retirement	-	6,223	6,223
Interest and Fiscal Charges	-	1,055	1,055
Total Cash Disbursements	<u>49,972</u>	<u>211,991</u>	<u>261,963</u>
Excess of Receipts Over/(Under) Disbursements	3,765	(30,532)	(26,767)
Other Financing Receipts (Disbursements)			
Transfers-In	-	18,900	18,900
Transfers-Out	(18,900)	-	(18,900)
Total Other Financing Receipts (Disbursements)	<u>(18,900)</u>	<u>18,900</u>	<u>-</u>
Net Change in Fund Cash Balance	(15,135)	(11,632)	(26,767)
Fund Cash Balances, January 1	<u>77,941</u>	<u>470,075</u>	<u>548,016</u>
Fund Cash Balances, December 31			
Restricted	-	458,443	458,443
Unassigned (Deficit)	62,806	-	62,806
Fund Cash Balances, December 31	<u>\$ 62,806</u>	<u>\$ 458,443</u>	<u>\$ 521,249</u>

See notes to financial statements.

**TROY TOWNSHIP
MORROW COUNTY**

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

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Troy Township, Morrow County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Troy Township, Richland County, to provide fire and ambulance services.

The Township has insurance for property and casualty coverage through Rinehart-Walters-Danner Insurance Company in Mansfield, Ohio; which pays judgments, settlements, and other expenses resulting from covered claims that exceed the deductible.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Fire District Fund – This fund is a levy that comes from property taxes of the residents of Troy Township and only pays for squad and fire runs in the Township.

Special Levy Fund – This special levy is a road levy that comes from property taxes of the residents of Troy Township and is used for maintaining Township roads.

**TROY TOWNSHIP
MORROW COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

D. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2018 appears in Note 3.

E. Deposits and Investments

The Township's accounting basis includes investment 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.

F. Capital Assets

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

G. Accumulated Leave

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

**TROY TOWNSHIP
MORROW COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

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.

**TROY TOWNSHIP
MORROW COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,050	\$ 53,737	\$ (1,313)
Special Revenue	212,800	200,359	(12,441)
Total	\$ 267,850	\$ 254,096	\$ (13,754)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 132,991	\$ 68,772	\$ 64,219
Special Revenue	682,874	211,991	470,883
Total	\$ 815,865	\$ 280,763	\$ 535,102

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

4. EQUITY IN POOLED CASH

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

	2018
Demand deposits	\$ 521,249
Total Deposits	\$ 521,249

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

5. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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

**TROY TOWNSHIP
MORROW COUNTY**

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

6. 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.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions.

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2018.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest rate</u>
Bank Promissory Note	\$ 13,929	3.30%
Total	<u>\$ 13,929</u>	

The Township entered into a promissory note with Mechanics Bank on April 13, 2015 to finance the purchase of a new pole barn to store Township equipment. The promissory note is for a five year period ending April 13, 2020. This note was collateralized by the Township hall.

**TROY TOWNSHIP
MORROW COUNTY**

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

9. DEBT (Continued)

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

<u>Year Ended December 31</u>	<u>Promissory Note</u>
2019	7,296
2020	7,296
Total	<u>\$ 14,592</u>

10. TRANSFERS

Transfers were made from the General Fund in the Amount of \$18,900 which were transferred to the Gasoline Tax Fund. The transfers were used to move receipts from the fund that statute or budget requires to collect them to the fund statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**TROY TOWNSHIP
MORROW COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 22,410	\$ 71,710	\$ 94,120
Licenses, Permits and Fees	2,185	-	2,185
Intergovernmental	20,142	110,316	130,458
Special Assessments	-	2,787	2,787
Miscellaneous	85	537	622
Total Cash Receipts	<u>44,822</u>	<u>185,350</u>	<u>230,172</u>
Cash Disbursements:			
Current:			
General Government	49,043	3,173	52,216
Public Safety	-	47,325	47,325
Public Works	1,335	142,768	144,103
Capital Outlay	300	-	300
Debt Service			
Principal Retirement	-	6,774	6,774
Interest and Fiscal Charges	-	504	504
Total Cash Disbursements	<u>50,678</u>	<u>200,544</u>	<u>251,222</u>
Net Change in Fund Cash Balance	(5,856)	(15,194)	(21,050)
Fund Cash Balances, January 1	<u>83,797</u>	<u>485,269</u>	<u>569,066</u>
Fund Cash Balances, December 31			
Restricted	-	470,075	470,075
Unassigned (Deficit)	77,941	-	77,941
Fund Cash Balances, December 31	<u>\$ 77,941</u>	<u>\$ 470,075</u>	<u>\$ 548,016</u>

See notes to financial statements.

**TROY TOWNSHIP
MORROW COUNTY**

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

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Troy Township, Morrow County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Troy Township, Richland County, to provide fire and ambulance services.

The Township has insurance for property and casualty coverage through Rinehart-Walters-Danner Insurance Company in Mansfield, Ohio; which pays judgments, settlements, and other expenses resulting from covered claims that exceed the deductible.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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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:

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

Fire District Fund – This fund is a levy that comes from property taxes of the residents of Troy Township and only pays for squad and fire runs in the Township.

Special Levy Fund – This special levy is a road levy that comes from property taxes of the residents of Troy Township and is used for maintaining Township roads.

**TROY TOWNSHIP
MORROW COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

D. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2017 appears in Note 3.

E. Deposits and Investments

The Township's accounting basis includes investment 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.

F. Capital Assets

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

G. Accumulated Leave

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

**TROY TOWNSHIP
MORROW COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

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.

**TROY TOWNSHIP
MORROW COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 53,250	\$ 44,822	\$ (8,428)
Special Revenue	206,400	185,350	(21,050)
Total	\$ 259,650	\$ 230,172	\$ (29,478)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 137,047	\$ 50,678	\$ 86,369
Special Revenue	691,668	200,544	491,124
Total	\$ 828,715	\$ 251,222	\$ 577,493

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

4. EQUITY IN POOLED CASH

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

	2017
Demand deposits	\$ 548,016
Total Deposits	\$ 548,016

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

5. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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

**TROY TOWNSHIP
MORROW COUNTY**

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

6. 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.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions.

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

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

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest rate</u>
Bank Promissory Note	\$ 20,152	3.30%
Total	<u>\$ 20,152</u>	

The Township entered into a promissory note with Mechanics Bank on April 13, 2015 to finance the purchase of a new pole barn to store Township equipment. The promissory note is for a five year period ending April 13, 2020. This note was collateralized by the Township hall.

**TROY TOWNSHIP
MORROW COUNTY**

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

9. DEBT (Continued)

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

<u>Year Ended December 31</u>	<u>Promissory Note</u>
2018	\$ 7,296
2019	7,296
2020	<u>7,296</u>
Total	<u>\$ 21,888</u>

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

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

Troy Township
Morrow County
7883 County Road 37, Route 14
Lexington, Ohio 44904

To the Township Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Troy Township, Morrow County 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 February 18, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2018-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Troy Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
February 18, 2019

**TROY TOWNSHIP
MORROW 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

Material Weakness – Financial Reporting

All local offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township Officer's Handbook (Revised 2018) provides suggested accounts classifications. These accounts classify receipts by fund and source (Taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not properly all receipts and expenditures. Errors were made in recording various transactions. Amounts were not always posted to the correct fund and/or line item. The following reclassifications were made.

For 2018:

- A reclassification was made in the amount of \$3,110 from Property and Other Local Taxes to Intergovernmental Receipts for Rollbacks in the General Fund.
- A reclassification was made in the amount of \$5,514 and \$ 2,997 from Property and Other Local Taxes to Intergovernmental Receipts for Rollbacks in the Fire District Fund and Special Levy Fund.
- A reclassification was made in the amount of \$31,957 from General Government to Public Works in the Special Levy Fund.
- A reclassification in the amount of \$371 between Principal and Interest in the Gasoline Tax Fund.

For 2017:

- A reclassification was made in the amount of \$3,130 from Property and Other Local Taxes to Intergovernmental Receipts for Rollbacks in the General Fund.
- A reclassification was made in the amount of \$1,336 from General Government to Public Works in the General Fund.
- A reclassification was made in the amount of \$5,438 and \$ 2,955 from Property and Other Local Taxes to Intergovernmental Receipts for Rollbacks in the Fire District Fund and Special Levy Fund.
- A reclassification was made in the amount of \$11,145 from General Government to Public Works in the Special Levy Fund.
- A reclassification in the amount of \$394 between Principal and Interest in the Gasoline Tax Fund.

The reclassifications with which the Township Official's agree are reflected in the accompanying financial statements and posted to the accounting records.

We recommend the Township utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions.

Client Response: We received no response from the client.

**TROY TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Material Weakness Accounting errors	No	Not Corrected Repeated as Finding 2018-001

OHIO AUDITOR OF STATE
KEITH FABER



TROY TOWNSHIP

MORROW 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
APRIL 18, 2019**