

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

AUDIT REPORT

JANUARY 1, 2016 - DECEMBER 31, 2017



Dave Yost • Auditor of State

Board of Trustees
Millwood Township
P.O. Box 176
51 North Pike Street
Quaker City, Ohio 43773

We have reviewed the *Independent Auditors' Report* of Millwood Township, Guernsey County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2016 through December 31, 2017. 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. Millwood Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 15, 2018

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**MILLWOOD TOWNSHIP
GUERNSEY COUNTY
JANUARY 1, 2016 - DECEMBER 31, 2017**

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

INDEPENDENT AUDITORS' REPORT

Millwood Township
Guernsey County
P.O. Box 176
Quaker City, Ohio 43773

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 Millwood Township, Guernsey County, as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility For the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable 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 Millwood Township, Guernsey County as of December 31, 2017 and 2016, 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 combined cash balances of Millwood Township, Guernsey County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements 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 May 5, 2018, on our consideration of Millwood 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

May 5, 2018

MILLWOOD TOWNSHIP
GUERNSEY 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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 58,876	\$ 105,816	\$ -	\$ -	\$ 164,692
Intergovernmental	14,512	87,689	-	1,534	103,735
Earnings on Investments	309	171	-	-	480
Miscellaneous	61,737	-	16,632	-	78,369
Total Cash Receipts	<u>135,434</u>	<u>193,676</u>	<u>16,632</u>	<u>1,534</u>	<u>347,276</u>
Cash Disbursements:					
Current:					
General Government	43,518	6,496	-	-	50,014
Public Safety	-	-	-	-	-
Public Works	2,278	163,641	-	-	165,919
Health	-	622	-	-	622
Capital Outlay	198	3,859	-	-	4,057
Debt Service:					
Principal Retirement	-	-	14,211	-	14,211
Interest and Fiscal Charges	-	-	2,421	-	2,421
Total Cash Disbursements	<u>45,994</u>	<u>174,618</u>	<u>16,632</u>	<u>-</u>	<u>237,244</u>
Excess of Receipts Over (Under) Disbursements	89,440	19,058	-	1,534	110,032
Other Financing Receipts (Disbursements)					
Other Financing Sources	5,313	43,313	-	-	48,626
Total Other Financing Receipts (Disbursements)	<u>5,313</u>	<u>43,313</u>	<u>-</u>	<u>-</u>	<u>48,626</u>
Net Change in Fund Cash Balance	94,753	62,371	-	1,534	158,658
Fund Cash Balances, January 1, Restated	<u>115,880</u>	<u>234,712</u>	<u>20,562</u>	<u>17,481</u>	<u>388,635</u>
Fund Cash Balances, December 31					
Restricted	-	192,524	20,562	19,015	232,101
Committed	-	104,559	-	-	104,559
Unassigned (Deficit)	210,633	-	-	-	210,633
Fund Cash Balances, December 31	<u>\$ 210,633</u>	<u>\$ 297,083</u>	<u>\$ 20,562</u>	<u>\$ 19,015</u>	<u>\$ 547,293</u>

See notes to financial statements.

**MILLWOOD TOWNSHIP
GUERNSEY 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 Millwood Township, Guernsey County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services and road and bridge maintenance.

The Township participates in a public entity risk pool. Notes 6 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Bond Note Retirement Fund – This fund receives monies to retire the debt on the road grader and tractor.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund

These funds account for receipts restricted, committed, or assigned for expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Projects Fund:

Issue II Fund – This fund records Issue I activity passed through the County Engineers office for road projects.

C. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 appears in Note 3.

D. Deposits and Investments

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

E. 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.

F. 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.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

**MILLWOOD TOWNSHIP
GUERNSEY 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	\$ 65,714	\$ 140,747	\$ 75,033
Special Revenue	215,240	236,989	21,749
Debt Service	16,632	16,632	-
Capital Projects	1,534	1,534	-
Total	\$ 299,120	\$ 395,902	\$ 96,782

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 176,281	\$ 45,994	\$ 130,287
Special Revenue	406,540	174,618	231,922
Debt Service	37,194	16,632	20,562
Capital Projects	17,480	-	17,480
Total	\$ 637,495	\$ 237,244	\$ 400,251

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	\$ 547,293
Total Deposits	\$ 547,293

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.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

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

6. RISK MANAGEMENT

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

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (the latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Retained Earnings	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org .

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS

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. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

10. DEBT

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

	Principal	Interest Rate
USDA Road Grader	\$ 17,100	4.00%
Kansas State Bank Tractor	38,597	3.21%
Total Debt	\$ 55,697	

The Township issued bonds in the amount of \$50,000 in 2010 for the purchase of a new road grader to be used for maintenance of township roads. This bond is collateralized by the grader. Payments are made annually. This debt is paid from the Debt Service Fund.

In 2014, the Township entered in to a loan agreement with Kansas State Bank for the purchase of a tractor in the amount of \$64,507. The loan is collateralized by the tractor. Payments are made annually. This debt is paid from the Debt Service Fund.

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

Year Ending December 31:	Grader	Tractor
2018	\$ 6,184	10,436
2019	6,164	10,436
2020	6,136	10,436
2021	-	10,436
Total	\$ 18,484	\$ 41,744

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 41,508	\$ 73,078	\$ -	\$ -	\$ 114,586
Intergovernmental	15,132	89,537	-	2,973	107,642
Earnings on Investments	275	152	-	-	427
Miscellaneous	4,479	-	16,632	-	21,111
Total Cash Receipts	<u>61,394</u>	<u>162,767</u>	<u>16,632</u>	<u>2,973</u>	<u>243,766</u>
Cash Disbursements:					
Current:					
General Government	57,563	1,419	-	-	58,982
Public Safety	19	-	-	-	19
Public Works	2,200	153,456	-	-	155,656
Health	-	565	-	-	565
Capital Outlay	-	30,034	-	-	30,034
Debt Service:					
Principal Retirement	-	-	13,634	-	13,634
Interest and Fiscal Charges	-	-	2,898	-	2,898
Total Cash Disbursements	<u>59,782</u>	<u>185,474</u>	<u>16,532</u>	<u>-</u>	<u>261,788</u>
Net Change in Fund Cash Balance	1,612	(22,707)	100	2,973	(18,022)
Fund Cash Balances, January 1, Restated	<u>114,268</u>	<u>257,419</u>	<u>20,462</u>	<u>14,508</u>	<u>406,657</u>
Fund Cash Balances, December 31					
Restricted	-	129,226	20,562	17,481	167,269
Committed	-	105,486	-	-	105,486
Unassigned (Deficit)	115,880	-	-	-	115,880
Fund Cash Balances, December 31	<u>\$ 115,880</u>	<u>\$ 234,712</u>	<u>\$ 20,562</u>	<u>\$ 17,481</u>	<u>\$ 388,635</u>

See notes to financial statements.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. REPORTING ENTITY

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General Bond Note Retirement Fund – This fund receives monies to retire the debt on the road grader and tractor.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund

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Issue II Fund – This fund records Issue I activity passed through the County Engineers office for road projects.

C. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 appears in Note 3.

D. Deposits and Investments

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

E. 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.

F. 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.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 53,491	\$ 61,394	\$ 7,903
Special Revenue	159,116	162,767	3,651
Debt Service	16,632	16,632	-
Capital Projects	-	2,973	2,973
Total	\$ 229,239	\$ 243,766	\$ 14,527

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 167,759	\$ 59,782	\$ 107,977
Special Revenue	416,318	185,474	230,844
Debt Service	36,994	16,532	20,462
Capital Projects	14,508	-	14,508
Total	\$ 635,579	\$ 261,788	\$ 373,791

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:

	2016
Demand deposits	\$ 388,635
Total Deposits	\$ 388,635

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.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

6. RISK MANAGEMENT

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

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (the latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Retained Earnings	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

7. DEFINED BENEFIT PENSION PLANS

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 2016, 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, 2016.

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. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

10. DEBT

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

	Principal	Interest Rate
USDA Road Grader	\$ 22,400	4.00%
Kansas State Bank Tractor	47,508	3.21%
Total Debt	\$ 69,908	

The Township issued bonds in the amount of \$50,000 in 2010 for the purchase of a new road grader to be used for maintenance of township roads. This bond is collateralized by the grader. Payments are made annually. This debt is paid from the Debt Service Fund.

In 2014, the Township entered in to a loan agreement with Kansas State Bank for the purchase of a tractor in the amount of \$64,507. The loan is collateralized by the tractor. Payments are made annually. This debt is paid from the Debt Service Fund.

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

Year Ending December 31:	Grader	Tractor
2017	\$ 6,196	\$ 10,436
2018	6,184	10,436
2019	6,164	10,436
2020	6,136	10,436
2021	-	10,436
Total	\$ 24,680	\$ 52,180

**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.**

Millwood Township
Guernsey County
P.O. Box 176t
Quaker City, Ohio 43773

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Millwood Township, Guernsey County as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 5, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider Finding 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Millwood 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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

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
May 5, 2018

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Significant Deficiency – Financial Reporting

As a result of audit procedures, errors were noted that required reclassification and adjustment to the financial statement as follows:

The following is related to 2016:

- Reclassifications were made to the General Fund and Road & Bridge Fund in the amount of \$3,624 and \$4,978, respectively, to post rollbacks to Intergovernmental Receipts and reduce Property and Other Local Taxes.
- A reclassification was made in the Capital Projects fund to record Issue II monies as Intergovernmental Receipts and reduce Other Financing Sources in the amount of \$1,534.

The following is related to 2017;

- Reclassifications were made to the General Fund and Road & Bridge Fund in the amount of \$3,642 and \$2,253, respectively, to post rollbacks to Intergovernmental Receipts and reduce Property and Other Local Taxes.
- A reclassification was made in the Capital Projects fund to record Issue II monies as Intergovernmental Receipts and reduce Property and Other Local Taxes in the amount of \$2,973.

Sound financial reporting is the responsibility of the Township and is essential to help ensure the information provided to the readers of financial statements is complete and accurate. To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

The financial statements and accounting records have been adjusted accordingly.

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

**MILLWOOD TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-002

Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

- If the fiscal officer can certify that both at the time that the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Township.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Township has approved their use and established maximum amounts.
- Super Blanket Certificates. The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to the purchase commitment for 19% of expenditures tested. For these item the Township also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

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



Dave Yost • Auditor of State

MILLWOOD TOWNSHIP

GUERNSEY 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
JUNE 28, 2018**