



OHIO AUDITOR OF STATE
KEITH FABER



THORN TOWNSHIP
PERRY COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Thorn Township
Perry County
P.O. Box 419
Thornville, Ohio 43076

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 Thorn 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 Thorn 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 January 13, 2020, 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

January 13, 2020

**THORN TOWNSHIP
PERRY COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$96,192	\$933,291	\$0	\$1,029,483
Charges for Services	0	117,794	0	117,794
Licenses, Permits and Fees	45,206	0	0	45,206
Intergovernmental	53,121	172,774	0	225,895
Earnings on Investments	1,245	86	11	1,342
Miscellaneous	173	9,533	0	9,706
<i>Total Cash Receipts</i>	<u>195,937</u>	<u>1,233,478</u>	<u>11</u>	<u>1,429,426</u>
Cash Disbursements				
Current:				
General Government	213,982	0	0	213,982
Public Safety	0	594,877	0	594,877
Public Works	10,000	288,563	0	298,563
Capital Outlay	0	30,000	0	30,000
<i>Total Cash Disbursements</i>	<u>223,982</u>	<u>913,440</u>	<u>0</u>	<u>1,137,422</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,045)</u>	<u>320,038</u>	<u>11</u>	<u>292,004</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	6,516	0	0	6,516
<i>Total Other Financing Receipts (Disbursements)</i>	<u>6,516</u>	<u>0</u>	<u>0</u>	<u>6,516</u>
<i>Net Change in Fund Cash Balances</i>	<u>(21,529)</u>	<u>320,038</u>	<u>11</u>	<u>298,520</u>
<i>Fund Cash Balances, January 1</i>	<u>100,717</u>	<u>769,834</u>	<u>1,662</u>	<u>872,213</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	1,000	1,000
Restricted	0	1,066,640	673	1,067,313
Committed	0	23,232	0	23,232
Unassigned (Deficit)	79,188	0	0	79,188
<i>Fund Cash Balances, December 31</i>	<u><u>\$79,188</u></u>	<u><u>\$1,089,872</u></u>	<u><u>\$1,673</u></u>	<u><u>\$1,170,733</u></u>

The notes to the financial statements are an integral part of this statement.

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

Note 1 - Reporting Entity

Thorn Township, Perry County, (the Township) is a body and politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, recreation services, fire protection and emergency medical services. Police protection is provided by the Perry County Sheriff.

Component Units

The Township has no component units.

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Township has no joint ventures.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

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

Road and Bridge Fund The road and bridge fund accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

Fire Levy Fund This fund receives property tax money and payments to provide fire protection service to both resident and non-residents.

EMS Levy Fund This fund receives property tax money to provide emergency medical services residents as well as soft billing receipts for runs made by part-time employees.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Maintenance Fund The cemetery maintenance fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Deposits and Investments

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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.

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

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	\$162,250	\$202,453	\$40,203
Special Revenue	779,025	1,233,478	454,453
Permanent	10	11	1
Total	\$941,285	\$1,435,942	\$494,657

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$262,995	\$223,982	\$39,013
Special Revenue	850,600	913,440	(62,840)
Total	\$1,113,595	\$1,137,422	(\$23,827)

Contrary to Ohio Rev. Code Section 5705.39, the Township appropriated \$80,192 more than total estimated resources in the General Fund. In addition, expenditures exceeded approved appropriations in the Motor Vehicle License Tax, Gasoline Tax and Fire Funds by \$6,055, \$12,017 and \$82,727, respectively, in violation of Ohio Rev. Code Section 5705.41(B).

Note 4 – Deposits

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

	2018
Demand deposits	\$1,164,733
Certificates of deposit	6,000
Total deposits	\$1,170,733

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

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.

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

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 the 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
 - Cyber
 - Law enforcement liability
 - Automobile liability
 - Vehicles
 - Property
 - Equipment breakdown

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

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

Note 7 – Defined Benefit Pension Plan

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.

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**THORN TOWNSHIP
PERRY COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$92,412	\$512,791	\$0	\$605,203
Charges for Services	0	128,073	0	128,073
Licenses, Permits and Fees	42,389	0	0	42,389
Intergovernmental	37,737	163,906	0	201,643
Earnings on Investments	668	52	10	730
Miscellaneous	28,297	24,602	0	52,899
<i>Total Cash Receipts</i>	<u>201,503</u>	<u>829,424</u>	<u>10</u>	<u>1,030,937</u>
Cash Disbursements				
Current:				
General Government	342,347	0	0	342,347
Public Safety	0	422,009	0	422,009
Public Works	25,000	289,222	0	314,222
Capital Outlay	0	82,907	0	82,907
<i>Total Cash Disbursements</i>	<u>367,347</u>	<u>794,138</u>	<u>0</u>	<u>1,161,485</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(165,844)</u>	<u>35,286</u>	<u>10</u>	<u>(130,548)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	13,985	1,433	0	15,418
<i>Total Other Financing Receipts (Disbursements)</i>	<u>13,985</u>	<u>1,433</u>	<u>0</u>	<u>15,418</u>
<i>Net Change in Fund Cash Balances</i>	<u>(151,859)</u>	<u>36,719</u>	<u>10</u>	<u>(115,130)</u>
<i>Fund Cash Balances, January 1</i>	<u>252,576</u>	<u>733,115</u>	<u>1,652</u>	<u>987,343</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	1,000	1,000
Restricted	0	731,745	662	732,407
Committed	0	38,089	0	38,089
Unassigned (Deficit)	100,717	0	0	100,717
<i>Fund Cash Balances, December 31</i>	<u>\$100,717</u>	<u>\$769,834</u>	<u>\$1,662</u>	<u>872,213</u>

The notes to the financial statements are an integral part of this statement.

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

Note 1 - Reporting Entity

Thorn Township, Perry County, (the Township) is a body and politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, recreation services, fire protection and emergency medical services. Police protection is provided by Perry County Sheriff.

Component Units

The Township has no component units.

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Township has no joint ventures.

Summary of Significant Accounting Policies

Basis of Presentation

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

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

Road and Bridge Fund The road and bridge fund accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

Fire Levy Fund This fund receives property tax money and payments from Thorn Township to provide fire protection service to both resident and non-residents.

EMS Levy Fund This fund receives property tax money to provide emergency medical services residents as well as soft billing receipts for runs made by part-time employees.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Maintenance Fund The cemetery maintenance fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Deposits and Investments

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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.

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$143,160	\$215,488	\$72,328
Special Revenue	692,875	830,857	137,982
Permanent	10	10	0
Total	\$836,045	\$1,046,355	\$210,310

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$274,500	\$367,347	(\$92,847)
Special Revenue	694,800	794,138	(99,338)
Total	\$969,300	\$1,161,485	(\$192,185)

Contrary to Ohio Rev. Code § 5705.39, the Township appropriated \$105,096 more than total estimated resources in the General Fund and \$9,036 more than total estimated resources in the Gasoline Tax Fund. In addition, expenditures exceeded approved appropriations in the General, Motor Vehicle License Tax, Road and Bridge, Fire and EMS Funds by \$92,847, \$2,611, 47,125, \$64,731 and \$8,885, respectively, in violation of Ohio Rev. Code § 5705.41(B).

Note 4 – Deposits

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

Demand deposits	2017 \$866,213
Certificates of deposit	6,000
Total deposits	\$872,213

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

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.

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

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 exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the Township contracted with several companies for various types of insurance coverage as follows:

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.

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.

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

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.

<u>2017 Contributions to OTARMA</u>
\$14,847

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 Plan

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, 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.

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

Thorn Township
Perry County
P.O. Box 419
Thornville, Ohio 43076

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 Thorn 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 January 13, 2020 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 2018-002 through 2018-004 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 2018-001 and 2018-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 13, 2020

THORN 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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

In 2018, the Township appropriated \$80,192 more than total estimated resources in the General Fund. In 2017, the Township appropriated \$105,096 more than total estimated resources in the General Fund and \$9,036 more than total estimated resources in the Gasoline Tax Fund. This was due to the Township not certifying the total amount from all sources available for expenditures with the County Auditor.

The practice of allowing appropriations to exceed estimated resources could lead to expenditures being made for which the Township does not have adequate funds available, thus leading to deficit fund balances.

The Township should closely monitor appropriations to ensure that appropriations do not exceed estimated resources at any time throughout the year.

FINDING NUMBER 2018-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. Furthermore, **Ohio Rev. Code § 5705.41(B)** prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

In 2018, we noted supplemental appropriations ranging from \$28 to \$32,000 that were posted to the Township's UAN system but not documented as being approved by the Board of Trustees. In 2017, we noted supplemental appropriations ranging from \$5 to \$80,000 that were posted to the Township's UAN system but not documented as being approved by the Board of Trustees.

In addition, at December 31, 2018, expenditures exceeded approved appropriations in the Motor Vehicle License Tax, Gasoline Tax and Fire Funds by \$6,055, \$12,017 and \$82,727 respectively. Also, at December 31, 2017, expenditures exceeded approved appropriations in the General, Motor Vehicle License Tax, Road and Bridge, Fire and EMS Funds by \$92,845, \$2,611, 47,125, \$64,731 and \$8,885 respectively. These variances were a result of supplemental appropriations being posted to the system without the approval of the Board of Trustees as noted above.

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

**THORN 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 and Material Weakness (Continued)

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations and approval should be documented in the minutes, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The approved amended appropriations should also be filed with the budget commission.

FINDING NUMBER 2018-003

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

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

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

At December 31, 2018, estimated receipts in the Township's ledgers did not agree to the amounts as recorded on the Township's official certificate in the General, Motor Vehicle License Tax and EMS Funds with variances of \$2,500, \$21,000 and (\$500), respectively. At December 31, 2017, estimated receipts in the Township's ledgers did not agree to the amounts as recorded on the Township's official certificate in the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Fire District and EMS Funds with variances of (\$13,590), (\$1,005), \$1,985, (\$7,770), (\$27,735) and \$1,360, respectively.

In addition, appropriations at December 31, 2018 in the Township's ledgers did not agree to the amounts as approved by the Board of Trustees in the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Fire District and EMS Funds with variances of \$2,633, (\$10,000), (\$17,600), \$15,000, (\$116,511) and \$57,000, respectively. Appropriations at December 31, 2017 in the Township's ledgers did not agree to the amounts as approved by the Board of Trustees in the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Fire District and EMS Funds with variances of (\$117,086), (\$9,000), \$8,000, (\$55,418), (\$99,489) and (\$40,505), respectively.

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

**THORN 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)

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 2018-004

Material Weakness

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

The Ohio Township Handbook provides suggested account 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 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.

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.

During 2018 and 2017, various adjustments were required to the Township's financial statements.

For the fiscal year ending December 31, 2018, the following misstatements were noted:

- Motor Vehicle License Tax (MVL) fund balance, in the amount of \$23,232, was improperly recorded as Committed rather than Restricted.
- Road and Bridge fund balance, in the amount of \$38,089, was improperly recorded as Restricted rather than Committed.
- Cemetery fund balance, in the amount of \$14,343, was improperly recorded as Committed rather than Restricted.
- A trust corpus amount of \$1,000 was improperly recorded as Restricted rather than Non-spendable in the Permanent Fund.
- Homestead and Rollback receipts was posted as taxes instead of intergovernmental revenue in the General, Road and Bridge, Fire District and Emergency Services Funds, in the amounts of \$11,615, \$18,069, \$39,165 and \$14,644, respectively.

THORN 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)

FINDING NUMBER 2018-004 (Continued)

Material Weakness (Continued)

For the fiscal year ending December 31, 2017, the following misstatements were noted:

- MVL fund balance, in the amount of \$35,300, was improperly recorded as Committed rather than Restricted.
- Road and Bridge fund balance, in the amount of \$38,089, was improperly recorded as Restricted rather than Committed.
- Cemetery fund balance, in the amount of \$14,326, was improperly recorded as Committed rather than Restricted.
- A trust corpus amount of \$1,000 was improperly recorded as Restricted rather than Non-spendable in the Permanent Fund.
- Homestead and Rollback receipts was posted as Taxes instead of Intergovernmental revenue in the General Fund, Road and Bridge, Fire District and Emergency Services Funds, in the amounts of \$11,292, \$17,370, \$31,066 and \$14,634, respectively.

In addition to the above misstatements, we noted the budgetary disclosure for each year was incomplete. 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.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification 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.

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

OHIO AUDITOR OF STATE KEITH FABER



THORN 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 28, 2020**