



Dave Yost • Auditor of State



**CENTER TOWNSHIP  
GUERNSEY COUNTY  
DECEMBER 31, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Center Township  
Guernsey County  
65765 Larrick Ridge Rd  
Cambridge, Ohio 43725

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 Center Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2016 and 2015.

### ***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 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.

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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, 2016 and 2015, 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 Center Township, Guernsey County, Ohio, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements 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.

***Emphasis of Matter***

As discussed in Note 4 to the 2015 financial statements, the 2014 closing Special Revenue fund balance has been restated to correct an unposted expenditure. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 21, 2017

**CENTER TOWNSHP  
GUERNSEY COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$27,524	\$155,855	\$0	\$0	\$183,379
Charges for Services	0	1,370	0	0	1,370
Intergovernmental	23,704	145,618	0	6,455	175,777
Earnings on Investments	8,331	2,636	0	0	10,967
Miscellaneous	150	358	0	0	508
<i>Total Cash Receipts</i>	<u>59,709</u>	<u>305,837</u>	<u>0</u>	<u>6,455</u>	<u>372,001</u>
<b>Cash Disbursements</b>					
Current:					
General Government	36,049	0	0	0	36,049
Public Safety	0	9,397	0	0	9,397
Public Works	395	344,163	0	0	344,558
Health	838	0	0	0	838
Capital Outlay	0	0	0	17,067	17,067
Debt Service:					
Principal Retirement	345	0	6,766	0	7,111
Interest and Fiscal Charges	265	0	0	0	265
<i>Total Cash Disbursements</i>	<u>37,892</u>	<u>353,560</u>	<u>6,766</u>	<u>17,067</u>	<u>415,285</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,817</u>	<u>(47,723)</u>	<u>(6,766)</u>	<u>(10,612)</u>	<u>(43,284)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	15,000	0	0	0	15,000
Other Financing Sources	103	0	0	0	103
<i>Total Other Financing Receipts (Disbursements)</i>	<u>15,103</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,103</u>
<i>Net Change in Fund Cash Balances</i>	36,920	(47,723)	(6,766)	(10,612)	(28,181)
<i>Fund Cash Balances, January 1</i>	<u>69,508</u>	<u>171,387</u>	<u>6,766</u>	<u>19,194</u>	<u>266,855</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	123,664	0	8,582	132,246
Assigned	58,830	0	0	0	58,830
Unassigned (Deficit)	47,598	0	0	0	47,598
<i>Fund Cash Balances, December 31</i>	<u>\$106,428</u>	<u>\$123,664</u>	<u>\$0</u>	<u>\$8,582</u>	<u>\$238,674</u>

See accompanying notes to the basic financial statements

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**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Center Township, Guernsey County, Ohio (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and services. The Township contracts with the Lore City Volunteer Fire Dept. and the Village of Old Washington Volunteer Fire Dept., to provide fire services and ambulance services based on funds generated by the fire levy.

***Public Entity Risk Pool***

The Township belongs to the Ohio Plan's Risk Management, Inc. (The Plan), an unincorporated nonprofit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual contributions to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Road and Bridge Fund*** The road and bridge fund accounts for property tax monies restricted for maintenance and repair of roads within the Township.

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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***Debt Service Fund*** This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

***Capital Project Fund*** This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

***Issue II Fund*** The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement, for repairs of roads & bridges located within the Township.

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not use the encumbrance method of accounting.

A summary of 2016 budgetary activity appears in Note 3.

***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.

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

***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.

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,094	\$74,812	\$38,718
Special Revenue	263,293	305,837	42,544
Capital Projects	0	6,455	6,455
Total	\$299,387	\$387,104	\$87,717

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,718	\$37,892	\$44,826
Special Revenue	438,853	353,560	85,293
Debt Service	6,766	6,766	0
Capital Projects	19,194	17,067	2,127
Total	\$547,531	\$415,285	\$132,246

**Note 4 - Deposits**

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

	2016
Demand deposits	\$238,674

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 - Property Taxes**

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

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

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 6 - Risk Management**

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

***Commercial Insurance***

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.
- Bonds for elected officials

The Township 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 § 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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.

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available):

	<b>2015</b>	<b>2014</b>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

You can read the complete audited Financial Statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org)

**Note 7 - Defined Benefit Pension Plans**

Four 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%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>

**Social Security**

Two Township elected officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 2 percent of the employer contribution to fund these benefits.

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 9 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$31,262	3%

The Township entered into a loan agreement with Peoples Bank to finance the purchase of a backhoe for Township road maintenance.

***Amortization***

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

Year ending December 31:	General Obligation Notes
2017	\$6,754
2018	6,754
2019	6,754
2020	6,754
2021	6,752
Total	\$33,768

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**CENTER TOWNSHIP  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$22,285	\$148,000	\$0	\$0	\$170,285
Intergovernmental	19,556	80,085	6,766	13,901	120,308
Earnings on Investments	6,424	1,939	0	0	8,363
Miscellaneous	5,000	5,964	0	0	10,964
<i>Total Cash Receipts</i>	<u>53,265</u>	<u>235,988</u>	<u>6,766</u>	<u>13,901</u>	<u>309,920</u>
<b>Cash Disbursements</b>					
Current:					
General Government	33,274	0	0	0	33,274
Public Safety	0	13,240	0	0	13,240
Public Works	581	147,503	0	0	148,084
Health	70	0	0	0	70
Capital Outlay	0	0	0	1,332	1,332
Debt Service:					
Principal Retirement	0	0	6,871	0	6,871
Interest and Fiscal Charges	0	0	510	0	510
<i>Total Cash Disbursements</i>	<u>33,925</u>	<u>160,743</u>	<u>7,381</u>	<u>1,332</u>	<u>203,381</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>19,340</u>	<u>75,245</u>	<u>(615)</u>	<u>12,569</u>	<u>106,539</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Financing Sources	5,680	0	0	0	5,680
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,680</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,680</u>
<i>Net Change in Fund Cash Balances</i>	25,020	75,245	(615)	12,569	112,219
<i>Fund Cash Balances, January 1 (restated, see Note 4)</i>	<u>44,488</u>	<u>96,142</u>	<u>7,381</u>	<u>6,625</u>	<u>154,636</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	171,387	6,766	19,194	197,347
Assigned	46,624	0	0	0	46,624
Unassigned (Deficit)	22,884	0	0	0	22,884
<i>Fund Cash Balances, December 31</i>	<u>\$69,508</u>	<u>\$171,387</u>	<u>\$6,766</u>	<u>\$19,194</u>	<u>\$266,855</u>

See accompanying notes to the basic financial statements

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**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Center Township, Guernsey County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Old Washington, Quaker City, Antrim and Lore City Volunteer Fire Departments to provide fire services.

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

**B. Accounting Basis**

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

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

**C. Deposits**

The Township has an interest-bearing checking account.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. 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:

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Road and Bridge Fund – The road and bridge fund accounts for property tax monies restricted for maintenance and repair of roads within the Township.

Gasoline 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.

**3. Debt Service Fund**

This fund accounts 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 – The Township uses this fund for the repayment of a loan for a backhoe that was purchased in 2012. Yearly payment of \$7,381 and the balance of the note is \$7,111 as of December 31, 2015.

**4. Capital Project Funds**

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Issue II Fund – The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement, for repairs of roads and bridges located within the Township.

**E. Budgetary Process**

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

**1. 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.

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. 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.

**3. 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 2015 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**4. 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.

**5. 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.

**G. Property, Plant, and Equipment**

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

**H. 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.

**2. EQUITY IN POOLED 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:

	<u>2015</u>
Demand deposits	<u>\$266,855</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,979	\$58,945	\$27,966
Special Revenue	240,232	235,988	(4,244)
Debt Service	7,381	6,766	(615)
Capital Projects	13,901	13,901	0
Total	\$292,493	\$315,600	\$23,107

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,873	\$33,925	\$29,948
Special Revenue	308,897	160,743	148,154
Debt Service	7,381	7,381	0
Capital Projects	20,526	1,332	19,194
Total	\$400,677	\$203,381	\$197,296

**4. PRIOR PERIOD RESTATEMENT**

For the year ended December 31, 2014, a prior period expenditure not being reported in the Fire Levy Fund resulted in a fund balance restatement.

Governmental Fund	Fund Balance at December 31, 2014	Restatement Amount	Fund Balance at January 1, 2015
Special Revenue	\$100,278	(\$4,136)	\$96,142

**5. PROPERTY TAX**

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 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.

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

**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest
General Obligation Notes	\$7,111	4%

The Township issued general obligation notes on November 19, 2010, to finance the purchase of a truck.

*Amortization*

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

Year ending December 31:	General Obligation Notes
2016	\$7,381

**7. RETIREMENT SYSTEM**

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans’ benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Two Township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits participants.

**8. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio 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.



**Center Township**  
*Guernsey County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**8. RISK MANAGEMENT (Continued)**

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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty.

Effective November 1, 2014, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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, 2015 and 2014 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members’ Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**9. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 2 percent of the employer contribution to fund these benefits.

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# Dave Yost • Auditor of State

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

Center Township  
Guernsey County  
65765 Larrick Ridge Rd  
Cambridge, Ohio 43725

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 Center Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 21, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 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 2016-001 and 2016-002 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 21, 2017

**CENTER TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness**

The Fiscal Officer prepared monthly bank reconciliations. The Board of Trustees approved the monthly bank reconciliation at each board meeting.

Our examination of the December 31, 2016 and December 31 2015 bank reconciliations determined the year-end bank reconciliations contained unsupported reconciling items. Our audit testing detected miss-postings that affected the bank reconciliation. In addition, the Township failed to make an adjustment from prior audit due to the Fire Levy fund balance was not adequate. These errors cause the UAN total cash balance to be overstated by \$1,299.54 at December 31, 2016.

Posting errors during the audit period resulted in errors overstating receipts in the 2031 Road and Bridge Fund, in the amount of \$1,208.68, understating receipts in the 1000 General Fund, in the amount of \$318.84, the 2011 Motor Vehicle License Tax Fund, in the amount of \$927.31, the 2231 Permissive Motor Vehicle License Tax Fund, in the amount of \$347.25 and the 2021 Gasoline Tax Fund, in the amount of \$2,451.59. Also, the prior AUP report disclosed an exception that the Fire Levy Fund understated expenditures in the amount of \$4,135.85.

The Township made these adjustments to their accounting system and the financial statements on August 21, 2017.

**FINDING NUMBER 2016-002**

**Material Weakness**

The Township should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Township should have procedures in place for a review of transactions posted by the Fiscal Officer.

As a result of audit procedures performed, a misclassification was noted in the Township's financial statements that required adjustment:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Township improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting the excess as assigned, in the amounts of \$58,830 and \$46,624 during 2016 and 2015, respectively.
- During 2016, the Township recorded the sale of a backhoe as Miscellaneous receipts instead of Sale of Capital Assets in the General fund in the amount of \$15,000.

The Fiscal Officer should review guidance within the Ohio Township Handbook. This guidance will allow the Fiscal Officer to make proper postings to receipt account classifications based on the source of the receipt. Also, the Fiscal Officer should review Auditor of State Bulletin 2011-004 for proper reporting of fund balances. Someone independent of the Fiscal Officer, preferably a member of the Board of Trustees, should periodically review postings to the accounting system for accuracy.

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

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# Dave Yost • Auditor of State

**CENTER 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  
SEPTEMBER 12, 2017**