



Certified Public Accountants, A.C.

**POLK TOWNSHIP
CRAWFORD COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
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104 South Sugar St.
St. Clairsville, OH 43950
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Suite 300
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Cambridge, OH 43725
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www.perrycpas.com



Dave Yost • Auditor of State

Board of Trustees
Polk Township
7680 St Rt 309
Galion, OH 44833

We have reviewed the *Independent Auditor's Report* of Polk Township, Crawford County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 4, 2018

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POLK TOWNSHIP
CRAWFORD COUNTY

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INDEPENDENT AUDITOR'S REPORT

July 16, 2018

Polk Township
Crawford County
7680 SR 309
Galion, Ohio 44833

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 **Polk Township**, Crawford County, (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on the 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, 2017 and 2016, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Polk Township, Crawford County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2018, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**POLK TOWNSHIP
CRAWFORD 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	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 44,017	\$ 312,360	\$ -	\$ -	\$ 356,377
Licenses, Permits and Fees	979	-	-	-	979
Intergovernmental	21,353	148,095	-	39,540	208,988
Earnings on Investments	4,637	1,166	-	2	5,805
Miscellaneous	328	770	-	5,586	6,684
<i>Total Cash Receipts</i>	<u>71,314</u>	<u>462,391</u>	<u>-</u>	<u>45,128</u>	<u>578,833</u>
Cash Disbursements					
Current:					
General Government	80,931	10,210	-	-	91,141
Public Safety	-	209,125	-	-	209,125
Public Works	-	160,279	-	362	160,641
Health	270	900	-	-	1,170
Human Services	-	50	-	-	50
Capital Outlay	304	-	-	42,835	43,139
Debt Service:					
Principal Retirement	-	-	21,062	-	21,062
Interest and Fiscal Charges	-	-	7,577	-	7,577
<i>Total Cash Disbursements</i>	<u>81,505</u>	<u>380,564</u>	<u>28,639</u>	<u>43,197</u>	<u>533,905</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,191)</u>	<u>81,827</u>	<u>(28,639)</u>	<u>1,931</u>	<u>44,928</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	-	28,639	62	28,701
Transfers Out	(863)	(27,838)	-	-	(28,701)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(863)</u>	<u>(27,838)</u>	<u>28,639</u>	<u>62</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(11,054)</u>	<u>53,989</u>	<u>-</u>	<u>1,993</u>	<u>44,928</u>
<i>Fund Cash Balances, January 1</i>	<u>75,555</u>	<u>461,805</u>	<u>-</u>	<u>2,306</u>	<u>539,666</u>
Fund Cash Balances, December 31					
Restricted	-	515,794	-	41	515,835
Committed	-	-	-	4,258	4,258
Assigned	64,501	-	-	-	64,501
<i>Fund Cash Balances, December 31</i>	<u>\$ 64,501</u>	<u>\$ 515,794</u>	<u>\$ -</u>	<u>\$ 4,299</u>	<u>\$ 584,594</u>

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

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Polk Township, Crawford County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the City of Galion to provide fire services and EMS services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. This organization is:

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.

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, 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 is used by the Township to maintain roads and bridges.

Special Fire Levy Fund The special fire levy accounts for and reports that portion of the special fire levy tax restricted for fire and EMS protection services.

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Motor Vehicle License 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.

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

General Note Retirement Fund The general note retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance the Township's building loan.

Capital Project Funds These funds account 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 funds:

Public Works Projects Fund – The township received OWPC funds from the state for capital improvements. The proceeds are restricted for capital improvement.

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 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 cancelled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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.

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.

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects Permanent Improvement fund by \$3,295 and in the Capital Projects Public Works Commission fund by \$39,540 for the year ended December 31, 2017. Also contrary to Ohio law, appropriations exceeded estimated resources in the General fund by \$8,797 and in the Capital Projects Bond fund by \$7,267 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 61,505	\$ 71,314	\$ 9,809
Special Revenue	437,500	462,391	24,891
Debt Service	30,000	28,639	(1,361)
Capital Projects	45,655	45,191	(464)
Total	\$ 574,660	\$ 607,535	\$ 32,875

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 138,435	\$ 82,369	\$ 56,066
Special Revenue	897,930	408,402	489,528
Debt Service	30,000	28,639	1,361
Capital Projects	40,655	43,197	(2,542)
Total	\$ 1,107,020	\$ 562,607	\$ 544,413

Note 5 – Deposits and Investments

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

	2017
Demand deposits	\$ 30,000
Total deposits	30,000
STAR Ohio	555,294
Total investments	555,294
Total deposits and investments	\$ 585,294

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Deposits and Investments (Continued)

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 6 – 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.

Note 7 – Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management (Continued)

Risk Pool Membership (Continued)

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

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

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

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement

Multiple 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 9 – 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Debt

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

General Obligation Notes	<u>Principal</u>	<u>Interest Rate</u>
Total	179,110	4.00%
	<u>\$179,110</u>	

The Township entered into a commercial loan agreement to purchase a township hall and garage.

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt (Continued)

Amortization

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

Year Ending December 31:	General Obligation Notes
2018	\$ 26,436
2019	26,436
2020	26,436
2021	26,436
2022	26,436
2023-2026	79,308
Total	<u>\$ 211,488</u>

Note 11 – Transfers

During 2017 the General, Gasoline Tax and Road and Bridge funds combined to transfer \$28,639 to the Debt Service fund pursuant to Ohio Revised Code Section 5705.13(c) to increase the balance in the General Note Retirement Fund designated to purchase the township hall. Also in 2017, the General fund transferred \$62 to the Capital Projects fund pursuant to Ohio Revised Code Section 5705.13(c) to increase the balance in the Permanent Improvement fund for upkeep of the township hall.

**POLK TOWNSHIP
CRAWFORD COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 50,135	\$ 312,423	\$ -	\$ -	\$ 362,558
Licenses, Permits and Fees	1,880	-	-	-	1,880
Intergovernmental	23,259	156,037	-	-	179,296
Earnings on Investments	1,863	435	-	2	2,300
Miscellaneous	3,030	67	-	2,175	5,272
<i>Total Cash Receipts</i>	<u>80,167</u>	<u>468,962</u>	<u>-</u>	<u>2,177</u>	<u>551,306</u>
Cash Disbursements					
Current:					
General Government	81,145	11,785	-	-	92,930
Public Safety	-	212,290	-	-	212,290
Public Works	-	164,739	-	25	164,764
Health	426	750	-	-	1,176
Capital Outlay	705	-	-	3,300	4,005
Debt Service:					
Principal Retirement	-	-	17,347	-	17,347
Interest and Fiscal Charges	-	-	9,043	-	9,043
<i>Total Cash Disbursements</i>	<u>82,276</u>	<u>389,564</u>	<u>(26,390)</u>	<u>3,325</u>	<u>501,555</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,109)</u>	<u>79,398</u>	<u>26,390</u>	<u>(1,148)</u>	<u>49,751</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	-	26,390	3,030	29,420
Transfers Out	(3,769)	(25,651)	-	-	(29,420)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,769)</u>	<u>(25,651)</u>	<u>26,390</u>	<u>3,030</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(5,878)</u>	<u>53,747</u>	<u>-</u>	<u>1,882</u>	<u>49,751</u>
<i>Fund Cash Balances, January 1</i>	<u>81,433</u>	<u>408,058</u>	<u>-</u>	<u>424</u>	<u>489,915</u>
Fund Cash Balances, December 31					
Restricted	-	461,805	-	401	462,206
Committed	-	-	-	1,905	1,905
Assigned	75,555	-	-	-	75,555
<i>Fund Cash Balances, December 31</i>	<u>\$ 75,555</u>	<u>\$ 461,805</u>	<u>\$ -</u>	<u>\$ 2,306</u>	<u>\$ 539,666</u>

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

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Polk Township, Crawford County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the City of Galion to provide fire services and EMS services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. This organization is:

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.

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, 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 is used by the Township to maintain roads and bridges.

Special Fire Levy Fund The special fire levy accounts for and reports that portion of the special fire levy tax restricted for fire and EMS protection services.

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Motor Vehicle License 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.

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

General Note Retirement Fund The general note retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance the Township's building loan.

Capital Project Funds These funds account 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 funds:

Public Works Projects Fund – The township received OWPC funds from the state for capital improvements. The proceeds are restricted for capital improvement.

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 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 cancelled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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.

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.

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the General fund by \$5,548 and in the Gasoline Tax fund by \$8,527 and in the Capital Projects Bond fund by \$23 for the year ended December 31, 2016.

Note 4 – 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	\$ 60,080	\$ 80,167	\$ 20,087
Special Revenue	425,115	468,962	43,847
Debt Service	30,000	26,390	(3,610)
Capital Projects	32,070	5,207	(26,863)
Total	\$ 547,265	\$ 580,726	\$ 33,461

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 139,950	\$ 86,045	\$ 53,905
Special Revenue	583,105	415,215	167,890
Debt Service	30,000	26,390	3,610
Capital Projects	26,994	3,325	23,669
Total	\$ 780,049	\$ 530,975	\$ 249,074

Note 5 – Deposits and Investments

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

	2017
Demand deposits	\$ 15,031
Total deposits	15,031
STAR Ohio	524,635
Total investments	524,635
Total deposits and investments	\$ 539,666

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits and Investments (Continued)

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 6 – 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.

Note 7 – Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

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

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management (Continued)

Risk Pool Membership (Continued)

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

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

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement

Multiple 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, 2016.

Note 9 – 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

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

General Obligation Notes	<u>Principal</u>	<u>Interest Rate</u>
Total	<u>200,172</u>	4.00%
	<u>\$200,172</u>	

The Township entered into a commercial loan agreement to purchase a township hall and garage.

Polk Township
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt (Continued)

Amortization

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

Year Ending December 31:	General Obligation Notes
2017	\$ 26,436
2018	26,436
2019	26,436
2020	26,436
2021	26,436
2022-2026	105,744
Total	<u>\$ 237,924</u>

Note 11 – Transfers

During 2016 the General, Gasoline Tax and Road and Bridge funds combined to transfer \$26,390 to the Debt Service fund pursuant to Ohio Revised Code Section 5705.13(c) to increase the balance in the General Note Retirement Fund designated to purchase the township hall. Also in 2016, the General fund transferred \$3,030 to the Capital Projects fund pursuant to Ohio Revised Code Section 5705.13(c) to increase the balance in the Permanent Improvement fund for upkeep of the township hall.



Certified Public Accountants, A.C.

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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**

July 16, 2018

Polk Township
Crawford County
7680 SR 309
Galion, Ohio 44833

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 **Polk Township**, Crawford County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 16, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered 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 audit findings that we consider material weaknesses. We consider findings 2017-001 and 2017-003 to be material weaknesses.

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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 audit findings as items 2017-002 and 2017-003.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**POLK TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-001

Material Weakness

Posting Receipts, Disbursements, and Fund Balance Classification

The Township should have procedures and controls in place to prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2017 and 2016, receipts, disbursements, and fund balances were not always posted or classified correctly. The following errors were noted:

- Real Estate tax settlements were not always posted to the correct fund in 2017 and 2016;
- Principal and interest on the Township building loan were not posted correctly in the Debt Service Bond Retirement fund for 2017 and 2016;
- Subsequent Appropriations in the General Fund were classified as Unassigned when they should have been Assigned in 2017 and 2016.

Not posting receipts, disbursements, and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The Township has made the adjustments to their accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipts and disbursement accounts and posting receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – We did not receive a response from officials to this finding.

**POLK TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code Section 505.24 and AOS bulletin 2011-007 require that each Township Trustee/Fiscal Officer must complete a payroll certification detailing the percentage of time that the Trustee/Fiscal Officer spent during the pay period providing services related to each fund to be charged prior to receiving his/her pay for that period.

In 2017 and 2016, Township Trustees were paid from the General, Gasoline Tax and Road and Bridge Funds, based on payroll certifications. However, payroll disbursements from the Townships accounting system did not match the payroll certifications. In January of 2017 there were no payroll certificates for the trustees and yet payroll was allocated from funds other than the general fund. This also occurred in September of 2016. Adjusting journal entries were made to the financial statements to correctly reflect the payroll certifications. These adjustments were also made to the Township's accounting system.

In 2017, the Fiscal Officer was underpaid by \$222.75. This was due to not being paid the 2017 raise, for which she was entitled, until April 2017. As of the date of this report, the Fiscal Officer has been repaid.

The failure to properly pay the Township Trustees in accordance to the approved payroll certifications for each pay period could result in improper payments from unallowed funds and potential findings for recovery against elected officials.

We recommend procedures be implemented by the Township to ensure payroll certifications are prepared and presented properly, and pay is allocated from the proper funds.

Management's Response – We did not receive a response to this finding.

**POLK TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2017-003

Material Weakness/Noncompliance

Budgetary Controls

The Budget is an instrument of public policy. A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Revised Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law, which although they do not in and of themselves result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 indicating appropriations cannot exceed estimated resources in the General, Gasoline Tax and Capital Projects Bond funds in 2016 and the General and Capital Projects Bond funds in 2017.
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations) in the Capital Projects Permanent Improvement fund by \$3,295 and in the Capital Improvements Public Works Commission by \$39,540 in 2017.

This resulted in incorrect amounts posted to the accounting system and information available to the Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the County Budget Commission and Board after each amendment. The Board does not monitor for budgetary compliance. Although Board approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed or submitted to the County Budget Commission.

Board should review the requirements of Ohio Revised Code Section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. We recommend the Township establish a procedure that ensures budgetary monitoring.

Management's Response – We did not receive a response to this finding.

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Dave Yost • Auditor of State

POLK TOWNSHIP

CRAWFORD 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
OCTOBER 16, 2018**