

**PENN TOWNSHIP  
MORGAN COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2014 - DECEMBER 31, 2015**





# Dave Yost • Auditor of State

Board of Trustees  
Penn Township  
444 Scott-Penn Lane  
Malta, Ohio 43758

We have reviewed the *Independent Auditors' Report* of Penn Township, Morgan County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2015. 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. Penn 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

September 28, 2016

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**PENN TOWNSHIP  
MORGAN COUNTY  
JANUARY 1, 2014 - DECEMBER 31, 2015**

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

**INDEPENDENT AUDITORS' REPORT**

Penn Township  
Morgan County  
444 Scott-Penn Lane  
Malta, Ohio 43758

To the Township Trustees:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the cash balances, receipts, disbursements by fund type and related notes of the Penn Township, Morgan County, as of and for the years ended December 31, 2015 and 2014.

**Management's Responsibility For the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

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

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

#### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Penn Township, Morgan County as of December 31, 2015 and 2014, 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 Penn Township, Morgan County as of December 31, 2015 and 2014, 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 1.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 16, 2016, on our consideration of Penn Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
July 16, 2016

**PENN TOWNSHIP  
MORGAN COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 26,022	\$ 12,200	\$ 38,222
Charges for Services	-	36,953	36,953
Intergovernmental	26,177	101,210	127,387
Earnings on Investments	259	129	388
Miscellaneous	192	800	992
<b>Total Cash Receipts</b>	<u>52,650</u>	<u>151,292</u>	<u>203,942</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	31,028	-	31,028
Public Safety	-	31,000	31,000
Public Works	-	94,114	94,114
Health	-	7,122	7,122
Capital Outlay	1,460	6,952	8,412
Debt Service:			
Principal Retirement	4,840	-	4,840
Interest and Fiscal Charges	652	-	652
<b>Total Cash Disbursements</b>	<u>37,980</u>	<u>139,188</u>	<u>177,168</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	14,670	12,104	26,774
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	1,869	598	2,467
Other Financing Uses	-	(879)	(879)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>1,869</u>	<u>(281)</u>	<u>1,588</u>
<b>Net Change in Fund cash Balance</b>	16,539	11,823	28,362
<b>Fund Cash Balances, January 1</b>	<u>(11,665)</u>	<u>76,621</u>	<u>64,956</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	88,444	88,444
Unassigned (Deficit)	4,874	-	4,874
<b>Fund Cash Balances, December 31</b>	<u>\$ 4,874</u>	<u>\$ 88,444</u>	<u>\$ 93,318</u>

See notes to financial statements.



**PENN TOWNSHIP  
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 13,015	\$ 11,658	\$ 24,673
Charges for Services	-	12,153	12,153
Intergovernmental	12,964	99,382	112,346
Earnings on Investments	256	134	390
Miscellaneous	941	300	1,241
<b>Total Cash Receipts</b>	<u>27,176</u>	<u>123,627</u>	<u>150,803</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	30,707	-	30,707
Public Safety	-	11,325	11,325
Public Works	-	117,970	117,970
Health	-	12,350	12,350
Capital Outlay	-	8,556	8,556
Debt Service:			
Principal Retirement	4,672	-	4,672
Interest and Fiscal Charges	829	-	829
<b>Total Cash Disbursements</b>	<u>36,208</u>	<u>150,201</u>	<u>186,409</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	(9,032)	(26,574)	(35,606)
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	4,780	126	4,906
Other Financing Uses	-	(3,900)	(3,900)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>4,780</u>	<u>(3,774)</u>	<u>1,006</u>
<b>Net Change in Fund cash Balance</b>	(4,252)	(30,348)	(34,600)
<b>Fund Cash Balances, January 1</b>	<u>(7,413)</u>	<u>106,969</u>	<u>99,556</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	76,621	76,621
Unassigned (Deficit)	(11,665)	-	(11,665)
<b>Fund Cash Balances, December 31</b>	<u>\$ (11,665)</u>	<u>\$ 76,621</u>	<u>\$ 64,956</u>

See notes to financial statements.

**PENN TOWNSHIP  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**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 Penn Township, Morgan County, (the Township), as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Pennsville Volunteer Fire Company to provide fire and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA 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.

**B. Accounting Basis**

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

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

**C. 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.

**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:

**PENN TOWNSHIP  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**General Fund**

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

**Special Revenue Funds**

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

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

**E. Budgetary Process**

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

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**PENN TOWNSHIP  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**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.

**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.

**PENN TOWNSHIP  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**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 CASH AND INVESTMENTS**

The Township maintains a deposit and investment 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:

	2015	2014
Demand deposits	\$ 93,318	\$ 64,956
	\$ 93,318	\$ 64,956

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 58,640	\$ 54,519	\$ (4,121)
Special Revenue	154,495	151,890	(2,605)
Total	\$ 213,135	\$ 206,409	\$ (6,726)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,500	\$ 37,980	\$ 21,520
Special Revenue	298,530	140,067	158,463
Total	\$ 358,030	\$ 178,047	\$ 179,983

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 31,846	\$ 31,956	\$ 110
Special Revenue	173,189	123,753	(49,436)
Total	\$ 205,035	\$ 155,709	\$ (49,326)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,736	\$ 36,208	\$ 23,528
Special Revenue	262,308	154,101	108,207
Total	\$ 322,044	\$ 190,309	\$ 131,735

**PENN TOWNSHIP  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Revised Code Section 5705.41 (D), the Township had made expenditures prior to certification.

**4. PROPERTY TAX**

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

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

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

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2015.

**6. DEBT**

Debt outstanding at December 31, 2015, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Bonds	\$ 14,738	3.75%

The Township obtained a 5 year promissory note at First National Bank of McConnelville to purchase a truck. The truck collateralizes the loan and will be repaid from the General Fund.

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

<u>Year Ending December 31:</u>	<u>Equipment Bonds</u>
2016	\$ 5,491
2017	5,491
2018	4,576
Total	\$ 15,558

**PENN TOWNSHIP  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**7. 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 Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

	2015	2014
Assets	\$37,313,311	\$35,970,263
Liabilities	(8,418,518)	(8,912,432)
Retained Earnings	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township’s share of these unpaid claims collectible in future years is approximately \$1,894.

Based on discussion with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2015	\$3,574
2014	3,562
2013	3,450

**PENN TOWNSHIP  
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**7. RISK MANAGEMENT**

After completing one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



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

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

Penn Township  
Morgan County  
444 Scott-Penn Lane  
Malta, Ohio 43758

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Penn Township, Morgan County as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 16, 2016, 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 Penn Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2015-001, 2015-002, and 2015-004 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Penn Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001, 2015-003 and 2015-005.

***Entity's Response to Finding***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
July 16, 2016

**PENN TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**Finding Number 2015-001**

**Noncompliance/Material Weakness**

Ohio Rev. Code Section 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During 2014, the Fiscal Officer incorrectly posted Rollback and Homestead monies to the General Fund in the amount of \$4,122 instead of the Cemetery Fund, Special Revenue Fund type, in the amount of \$1,290, the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$751 and the Fire Levy Fund, Special Revenue Fund type, in the amount of \$2,081.

During 2014, the Fiscal Officer incorrectly posted Rollback and Homestead monies to the General Fund in the amount of \$4,044 instead of the Cemetery Fund, Special Revenue Fund type, in the amount of \$1,265, the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$737 and the Fire Levy Fund, Special Revenue Fund type, in the amount of \$2,042.

Therefore, in 2015 and 2014, the Fiscal Officer improperly posted rollback homestead monies to the General Fund, in the amount of \$8,166 that should have posted to the Cemetery Fund, Special Revenue Fund type, in the amount of \$2,555, Road & Bridge Fund, Special Revenue Fund type, in the amount of \$1,488 and Fire Levy Fund, Special Revenue Fund type, in the amount of \$4,123. The Fiscal Officer made these adjustments to the Townships records and, therefore, these adjustments are reflected in the accompanying financial statements.

Clients Response: The adjustments have been made to our accounting records.

**Finding Number 2015-002**

**Material Weakness**

The Fiscal Officer prepared monthly bank reconciliations during the audit period. However, these reconciliations were not accurate. The monthly bank reconciliations contained "other Adjusting Factors" throughout the entire audit period which were carried forward instead of being investigated and corrected. The lack of proper reconciliations resulted in numerous errors which remained undetected and/or uncorrected until the audit.

The "Other Adjusting Factors" were posted to the accounting records and reduced the UAN systems cash balance by \$22,729 which now agrees to the Bank Statement balance less outstanding checks. These adjustments are reflected in the financial statements and have been posted to the Townships accounting records..

We recommend the Township review, identify and adjust any "Other Adjusting Factors" to each monthly bank reconciliation, if they occur. This will keep the monthly bank reconciliations correctly prepared and will stop the carrying forward of any "Other Adjusting Factors".

Client Response: The adjustments have been posted and we will review monthly and post any differences.

**PENN TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**Finding Number 2015-003**

**Noncompliance**

Ohio Rev. Code § 5705.41 (D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.
2. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
3. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
4. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitments for 45% of the expenditures tested in 2015 and 2014, and there was no evidence the Township followed the aforementioned exceptions.

**PENN TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**Finding Number 2015-003 (Continued)**

**Noncompliance**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer certify purchases to which § 5705.41 (D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: We will closely monitor and make changes where necessary.

**Finding Number 2015-004**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the UAN system. The UAN system should be utilized to provide ongoing and timely information on unrealized budgetary receipts.

We found estimated revenue approved by the Budget Commission did not agree to the amounts posted to the UAN accounting system as follows:

At December 31, 2015, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Receipts per Budget Commission	Estimated Receipts per UAN Revenue Status Report	Variance
General	\$ 58,640	\$ 33,076	\$ 25,564
MVL Tax	8,333	8,337	(4)
Gasoline Tax	86,776	67	86,709
Cemetery	42,729	7,729	35,000

**PENN TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**Finding Number 2015-004 (Continued)**

**Material Weakness**

At December 31, 2014, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Receipts per Budget Commission	Estimated Receipts per UAN Revenue Status Report	Variance
General	\$ 31,846	\$ 58,640	\$ (26,794)
MVL Tax	7,677	8,300	(623)
Gasoline Tax	77,973	86,050	(8,077)
Road & Bridge	4,305	4,320	(15)
Cemetery	68,927	9,200	59,727
Fire Levy	14,307	14,350	(43)

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer accurately post estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Client Response: We will review budgetary information.

**Finding Number 2015-005**

**Noncompliance**

Ohio Revised Code Section 505.24 (C) sets forth the method by which township trustees' compensation should be allocated. Subsequent to House Bill 153, passed in 2011, Ohio Revised Code Sections 505.24 and 507.09 require township trustees and fiscal officers, respectively to certify the amount of work performed on restricted funds. After passage of H.B. 153, the Board of Trustees for 2015 and 2014 continued the practice of what was previously required under the statute-documenting their time on timesheets.

As a result the Township Trustees did not prepare the legislatively approved payroll certifications for the audit period.

We recommend the Township review H.B. 153 as well as Ohio Revised Code Sections 505.24 and 507.09 and adopt formal procedures regarding signed certifications of payroll by each Trustee for each monthly pay period. If paid from the General Fund, no certification is needed.

Client Response: We have prepared the proper certifications as required.

**PENN TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2013-001	Material Weakness Noncompliance ORC 5705.10(D) improper posting of receipts	No	Not Corrected: Cited in current report as finding 2015-001
2013-002	Material Weakness Noncompliance ORC 117-2-02(A) improper acquiring of debt	Yes	Finding No Longer Valid
2013-003	Material Weakness bank Reconciliations with Other Adjusting Factors	No	Not Corrected: Cited in current report as finding 2015-002
2013-004	Noncompliance ORC 5705.41(D) expenditures prior to certifications	No	Not Corrected: Cited in current report as finding 2015-003
2013-005	Noncompliance ORC Chapter 133 acquiring debt	Yes	Finding No Longer Valid
2013-006	Noncompliance ORC 5705.39 appropriations exceeding revenue	Yes	Finding No Longer Valid
2013-007	Material Weakness On-Behalf-of payments	Yes	Finding No Longer Valid
2013-008	Material Weakness Budgetary Postings	No	Not Corrected: Cited in current report as finding 2015-004
2013-009	Noncompliance ORC 505.24 Payroll certifications	No	Not Corrected: Cited in current report as finding 2015-005
2013-010	Noncompliance ORC 507.09 ( C ) payroll in equal monthly amounts	Yes	Finding No Longer Valid

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# Dave Yost • Auditor of State

**PENN TOWNSHIP**

**MORGAN 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 11, 2016**